

ATTACHMENT 42

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Mercuri, Tiffany

March 6, 2014

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IN THE UNITED STATES DISTRICT COURT FOR
THE EASTERN DISTRICT OF PENNSYLVANIA

IN RE: PROCESSED EGG PRODUCTS
ANTITRUST LITIGATION

MDL NO. 2002

08-md-02002

THIS DOCUMENT RELATES TO
Kraft Foods Global, Inc., et al.
v. United Egg Producers, Inc.,
et al., No. 2:12-cv-00088-GP

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Thursday, March 6, 2014

8:00 a.m.

Videotaped deposition of TIFFANY MERCURI, convened
at the law offices of Robins, Kaplan, Miller & Ciresi
LLP, 2800 LaSalle Plaza, 800 LaSalle Avenue,
Minneapolis, Minnesota 55402, pursuant to notice, the
proceedings being recorded stenographically by Jonathan
Wonnell, a Registered Professional Court Reporter (NCRA
#835577), and transcribed under his direction.

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<p>1 APPEARANCES OF COUNSEL</p> <p>2</p> <p>3 On behalf of the Plaintiff General Mills and</p> <p>4 the Deponent:</p> <p>5 RICHARD P. CAMPBELL, ESQ.</p> <p>6 SARAH S. ANSARI, ESQ.</p> <p>7 Jenner & Block LLP</p> <p>8 330 North Clark Street</p> <p>9 Chicago, Illinois 60654-3456</p> <p>10 (312) 840-9530</p> <p>11 rcampbell@jenner.com</p> <p>12 sansari@jenner.com</p> <p>13 -- and --</p> <p>14 RACHEL A. PORTER, ESQ.</p> <p>15 General Mills</p> <p>16 Number One General Mills Boulevard</p> <p>17 Minneapolis, Minnesota 55426</p> <p>18 (763) 764-6698</p> <p>19 rachel.porter@genmills.com</p> <p>20</p> <p>21</p> <p>22</p>	<p>1 CONTENTS</p> <p>2 WITNESS PAGE</p> <p>3 TIFFANY MERCURI</p> <p>4 By Mr. Davis: 7</p> <p>5 By Mr. Schwinger: 121</p> <p>6</p> <p>7 EXHIBITS MARKED</p> <p>8 LABEL/DESCRIPTION PAGE</p> <p>9 Exhibit Mercuri 1 - Pricing quote from M.G. 41</p> <p>10 Waldbaum (GMI 00014925 through 00014926)</p> <p>11 Exhibit Mercuri 2 - Document entitled "Egg 45</p> <p>12 Overview" (GMI 00001153 through 00001169)</p> <p>13 Exhibit Mercuri 3 - Document entitled "General 52</p> <p>14 Mills Company Visit" (GMI 00031634 through</p> <p>15 00031637)</p> <p>16 Exhibit Mercuri 4 - General Mills contract dated 56</p> <p>17 4/26/2006 (GMI 00031895 through 00031897)</p> <p>18 Exhibit Mercuri 5 - Document entitled "Rembrandt 61</p> <p>19 Strategy Review" (GMI 00001000 through</p> <p>20 00001013)</p> <p>21 Exhibit Mercuri 6 - Supply Agreement (GMI 74</p> <p>22 through 00000975)</p> <p>Exhibit Mercuri 7 - E-mail from Tiffany Mercuri 87</p> <p>with attached Egg Sector Update dated April 14,</p> <p>2008 (GMI 00001539 through 00001571)</p> <p>Exhibit Mercuri 8 - Document entitled "Buyer 90</p> <p>Category Discussion" (GMI 00010997 through</p> <p>00011006)</p>
3	5
<p>1 APPEARANCES (Cont'd)</p> <p>2</p> <p>3 On behalf of the Defendant United Egg</p> <p>4 Producers and United States Egg</p> <p>5 Marketers:</p> <p>6 EVAN W. DAVIS, ESQ.</p> <p>7 Pepper Hamilton LLP</p> <p>8 3000 Two Logan Square</p> <p>9 Eighteenth and Arch Streets</p> <p>10 Philadelphia, Pennsylvania 19103-2799</p> <p>11 (215) 981-4000</p> <p>12 davisw@pepperlaw.com</p> <p>13</p> <p>14 On behalf of the Defendant Michael Foods:</p> <p>15 PETER J. SCHWINGLER, ESQ.</p> <p>16 Leonard, Street and Deinard</p> <p>17 150 South Fifth Street, Suite 2300</p> <p>18 Minneapolis, Minnesota 55402</p> <p>19 (612) 335-7023</p> <p>20 peter.schwinger@leonard.com</p> <p>21</p> <p>22 ALSO PRESENT: STEVE KNUTSON, Videographer</p>	<p>1 EXHIBITS MARKED (Cont'd)</p> <p>2 LABEL/DESCRIPTION PAGE</p> <p>3 Exhibit Mercuri 9 - Document entitled "Egg 128</p> <p>4 Pricing Strategies June 2007" (GMI 00023656</p> <p>5 through 00023674)</p> <p>6 Exhibit Mercuri 10 - Document entitled "Eggs" 131</p> <p>7 dated March 2007 (GMI 00017136 through</p> <p>8 00017170)</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p>

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<p style="text-align: right;">6</p> <p>1 PROCEEDINGS</p> <p>2 (8:16 a.m.)</p> <p>3 THE VIDEOGRAPHER: We are on the record.</p> <p>4 This is the videotaped deposition of Tiffany</p> <p>5 Mercuri taken on March 6th 2014. The time now is</p> <p>6 approximately 8:16 a.m. The deposition is being</p> <p>7 taken in reference to Processed Egg Products</p> <p>8 Antitrust Litigation filed in the U.S. District</p> <p>9 Court for the Eastern District of Pennsylvania,</p> <p>10 File Number 08-MD-02002. The deposition is taking</p> <p>11 place in Minneapolis, Minnesota.</p> <p>12 My name is Steve Knutsen. I'm the</p> <p>13 videographer representing Henderson Legal Services.</p> <p>14 Will counsel please identify themselves for the</p> <p>15 record.</p> <p>16 MR. CAMPBELL: Richard Campbell of</p> <p>17 Jenner & Block for General Mills and the deponent.</p> <p>18 MS. ANSARI: Sarah Ansari for Jenner &</p> <p>19 Block on behalf of General Mills.</p> <p>20 MS. PORTER: Rachel Porter, General</p> <p>21 Mills.</p> <p>22 MR. DAVIS: Evan Davis from Pepper</p>	<p style="text-align: right;">8</p> <p>1 A. Mercuri.</p> <p>2 Q. Mercuri. Okay.</p> <p>3 A. Mm-hmm.</p> <p>4 Q. Good morning.</p> <p>5 A. Good morning.</p> <p>6 Q. My name is Evan Davis. I am an attorney</p> <p>7 representing two of the defendants in this</p> <p>8 litigation, United Egg Producers and United States</p> <p>9 Egg Marketers. Have you ever had your deposition</p> <p>10 taken before?</p> <p>11 A. No.</p> <p>12 Q. All right. I will briefly go over a few</p> <p>13 of the ground rules, so to speak, for today. As</p> <p>14 you can see, there is both a court reporter and a</p> <p>15 videographer here, and they are taking down all of</p> <p>16 your testimony.</p> <p>17 You understand that should this case go</p> <p>18 to trial, your testimony could, in fact, be used at</p> <p>19 trial in this case?</p> <p>20 A. Yes.</p> <p>21 Q. And you understand also that you're</p> <p>22 under oath here today?</p>
<p style="text-align: right;">7</p> <p>1 Hamilton on behalf of the United Egg Producers and</p> <p>2 United States Egg Marketers.</p> <p>3 MR. SCHWINGLER: Peter Schwingler from</p> <p>4 Stinson, Leonard, Street on behalf of defendant</p> <p>5 Michael Foods.</p> <p>6 THE VIDEOGRAPHER: Are there any</p> <p>7 participants on the phone?</p> <p>8 (No reply.)</p> <p>9 THE VIDEOGRAPHER: Will the court</p> <p>10 reporter please swear in the witness.</p> <p>11 * * * * *</p> <p>12 Whereupon,</p> <p>13 TIFFANY MERCURI,</p> <p>14 called as a Witness, was duly sworn by</p> <p>15 Jonathan Wonnell, a Notary Public in and</p> <p>16 for the Minnesota, and was examined and</p> <p>17 testified as follows.</p> <p>18 * * * * *</p> <p>19 EXAMINATION BY COUNSEL FOR UNITED EGG PRODUCERS AND</p> <p>20 UNITED STATES EGG MARKETERS</p> <p>21 BY MR. DAVIS:</p> <p>22 Q. Ms. -- is it Mercuri?</p>	<p style="text-align: right;">9</p> <p>1 A. Yes.</p> <p>2 Q. It's important that I get oral responses</p> <p>3 to my questions, because the court reporter can't</p> <p>4 write down nods of your head or things like that.</p> <p>5 A. Okay.</p> <p>6 Q. Do you understand that?</p> <p>7 A. Yes.</p> <p>8 Q. We can take a break whenever you would</p> <p>9 like one. Just let me know. I only ask that if</p> <p>10 I've asked you a question, you answer that question</p> <p>11 before we take a break.</p> <p>12 A. Okay.</p> <p>13 Q. If there is anything that you don't</p> <p>14 understand, please just ask me to clarify it, and</p> <p>15 I'd be happy to do that.</p> <p>16 A. Okay.</p> <p>17 Q. It's important that you answer my</p> <p>18 questions fully and completely here today. Is</p> <p>19 there any reason why you cannot answer my questions</p> <p>20 fully, completely and truthfully?</p> <p>21 A. No.</p> <p>22 Q. Great. Could you please tell me your</p>

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<p style="text-align: right;">10</p> <p>1 title at General Mills.</p> <p>2 A. Senior sourcing manager.</p> <p>3 Q. For how long have you had that title,</p> <p>4 from when to when?</p> <p>5 A. I've had that title since last June.</p> <p>6 Q. Is that specific to any product or</p> <p>7 product types?</p> <p>8 A. No. It's just a title.</p> <p>9 Q. Do you have responsibilities for any</p> <p>10 specific products?</p> <p>11 A. Yes. So I buy cocoa and chocolate, and</p> <p>12 my team is responsible for corn and sweeteners.</p> <p>13 Q. What was your title prior to that?</p> <p>14 A. Sourcing manager.</p> <p>15 Q. What years was that?</p> <p>16 A. February 2008 until June of 2012.</p> <p>17 Q. The same product responsibilities?</p> <p>18 A. For one year, yes, and then prior to</p> <p>19 that, I was in a different area of sourcing.</p> <p>20 Q. And what products were you responsible</p> <p>21 for there?</p> <p>22 A. Functional ingredients. So things like</p>	<p style="text-align: right;">12</p> <p>1 December of 2006 through February 2008, I was an</p> <p>2 assistant sourcing manager in eggs and corn</p> <p>3 sweeteners, and then I went to value added</p> <p>4 ingredients after that.</p> <p>5 Q. Were you ever a buyer for eggs?</p> <p>6 A. Yes. But my title was assistant</p> <p>7 sourcing manager.</p> <p>8 Q. And you served as the buyer for eggs</p> <p>9 from December 2006 through --</p> <p>10 A. February of -- or April of 2008. And</p> <p>11 then I left and went to ingredients.</p> <p>12 Q. Who succeeded you as the buyer for eggs?</p> <p>13 A. Binh Tran.</p> <p>14 Q. Who preceded you as the buyer for eggs?</p> <p>15 A. I don't know. Scott Wulff was my</p> <p>16 manager when I started at General Mills, and he was</p> <p>17 handling eggs when I started there.</p> <p>18 Q. So he was the buyer when you started?</p> <p>19 A. He -- yeah.</p> <p>20 Q. Scott Wolf?</p> <p>21 A. Yes.</p> <p>22 Q. Are you familiar with a woman named</p>
<p style="text-align: right;">11</p> <p>1 phosphates, food chemicals, vitamins, colors,</p> <p>2 particulates, those types of things.</p> <p>3 Q. What was your title prior to sourcing</p> <p>4 manager?</p> <p>5 A. Assistant sourcing manager.</p> <p>6 Q. For what years?</p> <p>7 A. Let's see. It would have been December</p> <p>8 of 2007 through -- what did I say? April of</p> <p>9 2000 --</p> <p>10 Q. 2008?</p> <p>11 A. Yeah.</p> <p>12 Q. What ingredients or -- were you</p> <p>13 responsible for?</p> <p>14 A. That was when I was on eggs, eggs and</p> <p>15 corn sweeteners.</p> <p>16 Q. From what month in 2007? Sorry.</p> <p>17 A. December.</p> <p>18 Q. Prior to your tenure as assistant</p> <p>19 sourcing manager, what was your title?</p> <p>20 A. That was when I started at General</p> <p>21 Mills. December of 2000 -- I'm trying to think of</p> <p>22 when I started there. December of 2006? Yeah.</p>	<p style="text-align: right;">13</p> <p>1 Paula West?</p> <p>2 A. Yes.</p> <p>3 Q. Was she ever the buyer for eggs?</p> <p>4 A. I think so.</p> <p>5 Q. Do you know when that was?</p> <p>6 A. No.</p> <p>7 Q. Was it prior to your tenure at General</p> <p>8 Mills?</p> <p>9 A. Yes.</p> <p>10 Q. Were you employed prior to your arrival</p> <p>11 at General Mills?</p> <p>12 A. Yes.</p> <p>13 Q. Where was that?</p> <p>14 A. Rosemont Incorporated.</p> <p>15 Q. And what was your job there?</p> <p>16 A. As a purchasing manager for capital and</p> <p>17 MRO.</p> <p>18 Q. For what?</p> <p>19 A. Capital equipment and MRO.</p> <p>20 Q. What's MRO?</p> <p>21 A. Maintenance, repair and operations. So</p> <p>22 operating supplies.</p>

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<p style="text-align: right;">14</p> <p>1 Q. How long did you work at Rosemont?</p> <p>2 A. I worked at Rosemont seven years.</p> <p>3 Q. Were you employed prior to Rosemont?</p> <p>4 A. Yes.</p> <p>5 Q. Where was that?</p> <p>6 A. Mary Kay Cosmetics.</p> <p>7 Q. What was your job description there?</p> <p>8 A. I was a buyer of packaging.</p> <p>9 Q. For how long?</p> <p>10 A. Two years.</p> <p>11 Q. How about before that?</p> <p>12 A. I was employed with Quaker Oats company</p> <p>13 and I was a supply chain associate.</p> <p>14 Q. For how long?</p> <p>15 A. Two years.</p> <p>16 Q. Before that?</p> <p>17 A. College.</p> <p>18 Q. Okay. Are you aware that General Mills</p> <p>19 has filed a lawsuit against a number of egg</p> <p>20 producers as well as United Egg Producers and</p> <p>21 United States Egg Marketers?</p> <p>22 A. Yes.</p>	<p style="text-align: right;">16</p> <p>1 MR. DAVIS: Mr. Campbell, three</p> <p>2 witnesses yesterday answered that identical</p> <p>3 question. I believe it's a completely</p> <p>4 inappropriate assertion of the privilege. Are you</p> <p>5 going to stand on your objection?</p> <p>6 MR. CAMPBELL: Yes.</p> <p>7 BY MR. DAVIS:</p> <p>8 Q. Ms. Mercuri, do you believe</p> <p>9 that -- strike that.</p> <p>10 Do you have any opinion on whether or</p> <p>11 not General Mills' allegations against my clients</p> <p>12 and the egg producers in this litigation are</p> <p>13 meritorious?</p> <p>14 A. No.</p> <p>15 Q. You have no opinion one way or the</p> <p>16 other?</p> <p>17 A. No.</p> <p>18 Q. Can you please tell me what your</p> <p>19 responsibilities were as an assistant sourcing</p> <p>20 manager.</p> <p>21 A. Sure. I was responsible for the</p> <p>22 leadership of the egg and sweeteners category,</p>
<p style="text-align: right;">15</p> <p>1 Q. And what's your understanding of the</p> <p>2 allegations in that lawsuit?</p> <p>3 MR. CAMPBELL: I'm going to object and</p> <p>4 instruct her not to answer to the extent her</p> <p>5 knowledge is based on conversations with counsel.</p> <p>6 If she has any knowledge outside of those</p> <p>7 conversations, she can answer.</p> <p>8 A. I have none.</p> <p>9 BY MR. DAVIS:</p> <p>10 Q. So my question, again, is what your</p> <p>11 understanding is, regardless of -- I'm not asking</p> <p>12 where your understanding comes from. I'm asking</p> <p>13 what your understanding is.</p> <p>14 MR. CAMPBELL: Same objection. I</p> <p>15 instruct her not to answer to the extent her</p> <p>16 understanding is based on the conversations with</p> <p>17 counsel.</p> <p>18 BY MR. DAVIS:</p> <p>19 Q. Are you going to follow that</p> <p>20 instruction?</p> <p>21 A. Yes.</p> <p>22</p>	<p style="text-align: right;">17</p> <p>1 responsible for contracting based on volumes</p> <p>2 provided by our logistics team and operations team.</p> <p>3 Negotiating price. Supply relationship management,</p> <p>4 plant support, operations support, logistics,</p> <p>5 shipments of products, developing category</p> <p>6 strategies, cost savings and working with R&D on</p> <p>7 new product innovation and development.</p> <p>8 Q. What pricing options were available to</p> <p>9 General Mills during your tenure as a buyer for</p> <p>10 eggs?</p> <p>11 A. We --</p> <p>12 MR. CAMPBELL: I'm sorry. I object.</p> <p>13 That question is vague and ambiguous. I just don't</p> <p>14 know what "pricing options" means.</p> <p>15 BY MR. DAVIS:</p> <p>16 Q. That's fine. I believe you understood,</p> <p>17 as you were about to answer. You can answer.</p> <p>18 MR. CAMPBELL: Oh, yes. You may answer.</p> <p>19 A. So we were basing pricing off of the</p> <p>20 Urner Barry breaking stock model. And that option</p> <p>21 was available to us.</p> <p>22 Q. Could you describe for me what that</p>

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<p style="text-align: right;">18</p> <p>1 option entails.</p> <p>2 A. The prices were based on a published</p> <p>3 Urner Barry market for breaking stock eggs. And at</p> <p>4 the time, we did not have models determining the</p> <p>5 ultimate price of our products, but it was based on</p> <p>6 Urner Barry.</p> <p>7 Q. When you say it was based on Urner</p> <p>8 Barry, you mean that Urner Barry was one of the</p> <p>9 components of the price?</p> <p>10 A. Correct.</p> <p>11 Q. What were the other components of the</p> <p>12 price?</p> <p>13 A. Well, like I said, we didn't have a lot</p> <p>14 of visibility into the other components, but margin</p> <p>15 from the suppliers, inputs from their -- inputs</p> <p>16 from their manufacturing, so drying would be one of</p> <p>17 them, freight.</p> <p>18 Q. So would the supplier simply quote you a</p> <p>19 price?</p> <p>20 A. Yes.</p> <p>21 Q. And it was a dollar and cents price?</p> <p>22 A. Correct.</p>	<p style="text-align: right;">20</p> <p>1 Q. Okay. And the price would stay fixed</p> <p>2 for that --</p> <p>3 A. For the term.</p> <p>4 Q. -- term?</p> <p>5 A. Mm-hmm.</p> <p>6 Q. Okay. How far in advance of the term</p> <p>7 period would you negotiate the price?</p> <p>8 A. I don't recall.</p> <p>9 Q. Again --</p> <p>10 A. I mean, a few weeks maybe.</p> <p>11 Q. So maybe mid month, early in a month,</p> <p>12 mid month, you'd negotiate a price that might start</p> <p>13 the first of the next month?</p> <p>14 A. That's -- yeah, that's possible.</p> <p>15 Q. And last from anywhere from one to three</p> <p>16 months?</p> <p>17 A. Sure.</p> <p>18 Q. And is that standard throughout your</p> <p>19 tenure as a buyer for eggs?</p> <p>20 A. No.</p> <p>21 Q. Okay. When did that change?</p> <p>22 A. Well, for my tenure, yes. Yes.</p>
<p style="text-align: right;">19</p> <p>1 Q. And it would adjust based on the Urner</p> <p>2 Barry price?</p> <p>3 A. Correct.</p> <p>4 Q. How often would the price adjust?</p> <p>5 A. I don't recall. I don't recall.</p> <p>6 Q. About -- daily, weekly, monthly?</p> <p>7 A. We did probably quarterly contracts, you</p> <p>8 know. It wouldn't be anything much longer than</p> <p>9 three months.</p> <p>10 Q. Okay. But would it ever be daily?</p> <p>11 A. No.</p> <p>12 Q. Would it ever be weekly?</p> <p>13 A. No.</p> <p>14 Q. Would it ever be monthly?</p> <p>15 A. Potentially.</p> <p>16 Q. Okay. So the shortest that you'd really</p> <p>17 be looking at is a one-month term?</p> <p>18 A. Sure.</p> <p>19 Q. And the longest might be?</p> <p>20 A. Three.</p> <p>21 Q. Three months?</p> <p>22 A. Yeah.</p>	<p style="text-align: right;">21</p> <p>1 Q. Did that then change at some point?</p> <p>2 A. After I left the desk, yes.</p> <p>3 Q. We'll talk about that in a minute.</p> <p>4 Prior to your arrival as the buyer for eggs, I</p> <p>5 assume that you had conversations about how things</p> <p>6 were done before you got there?</p> <p>7 A. Mm-hmm.</p> <p>8 Q. Is that right?</p> <p>9 A. Yes.</p> <p>10 Q. And do you understand that similar</p> <p>11 methodology was employed for the years before you</p> <p>12 arrived?</p> <p>13 A. Yes.</p> <p>14 Q. And is that true for all suppliers from</p> <p>15 whom General Mills purchased eggs or egg products?</p> <p>16 A. At the time?</p> <p>17 Q. During your tenure and before, as far as</p> <p>18 you understand it?</p> <p>19 A. Yes.</p> <p>20 Q. But then that changed -- you said, I</p> <p>21 believe, it was probably like 2008 or 2009, right?</p> <p>22 A. Right.</p>

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<p style="text-align: right;">22</p> <p>1 Q. Okay. Did General Mills ever purchase 2 based off of the Urner Barry graded egg price? 3 A. No. 4 Q. Do you know what that is? 5 A. No. 6 Q. Now, the Urner Barry breaking stock 7 price, do you know how often that changes? 8 A. I believe it's every day. 9 Q. So -- but the factor in the price 10 charged to General Mills, as you just said, did not 11 change every day? 12 A. No. We couldn't change -- we couldn't 13 change our price every day. That would be -- we 14 wouldn't be able to do that. 15 Q. Is that because of the size of General 16 Mills and how much you're buying? 17 A. Well, that's one factor. Mostly just 18 because it's a lot of work to change the price 19 every day. 20 Q. Would that be true if General Mills had 21 a market cap of one one-thousandth of what it has 22 now?</p>	<p style="text-align: right;">24</p> <p>1 things. So it would be a back-and-forth 2 discussion. 3 Q. What suppliers did you purchase from? 4 A. Personally, I purchased from Primera 5 Foods, Michael Foods and Rose Acres. 6 Q. And were your negotiations with all 7 three of those identical in the way they 8 transpired? 9 A. Not identical, no. 10 Q. Similar? 11 A. Similar, I'd say. 12 Q. What were the differences? 13 A. Just -- I mean, differences in the 14 people that I was working with and the way that -- 15 I don't know -- the relationships that I had with 16 them and -- every supplier is different, yes. 17 Q. Were the price terms itemized by the 18 supplier? 19 A. In what way? 20 Q. Well, Urner Barry is one component, 21 right? 22 A. Right. Correct.</p>
<p style="text-align: right;">23</p> <p>1 A. Yeah. I mean, it wouldn't matter how 2 big we were. It would still be a lot of work. 3 Q. To change the price every day? 4 A. Yeah. 5 Q. How about to change the price every 6 week? 7 A. Yeah. It would still be a lot of work. 8 Q. Do you know how other buyers of eggs and 9 egg products negotiate prices that are based on 10 Urner Barry? 11 A. No. No, I don't. 12 Q. When you would agree to price terms with 13 a supplier for anywhere from a one- to three-month 14 period, as you said, how was that price 15 negotiation -- how did that take place? 16 A. Well, I would usually -- I mean, I had 17 access to Urner Barry, so I would confirm that that 18 was right. I would ask for -- you know, have a 19 discussion regarding what's increasing, whether it 20 would be, you know, transportation costs increasing 21 or processing costs increasing or decreasing based 22 on suppliers' efficiencies and those types of</p>	<p style="text-align: right;">25</p> <p>1 Q. There are other components that you 2 started to mention including, I believe freight was 3 one of them and drying and things like that. 4 A. Mm-hmm. 5 Q. Would you see an itemized list of how -- 6 here's the total price that the supplier is 7 proposing and here's how we get there? 8 A. The only thing that was broke out was 9 freight. 10 Q. So it was -- 11 A. So I knew Urner Barry and I knew 12 freight, and everything else was not transparent to 13 me. 14 Q. So they said, we're going to charge you 15 X dollars per pound? 16 A. Correct. 17 Q. Of that X dollars, here's what Urner 18 Barry is? 19 A. Correct. 20 Q. Here's how much we're tacking on for 21 freight and then we've got other stuff that we're 22 not going to tell you about, and here's the final</p>

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<p style="text-align: right;">26</p> <p>1 number?</p> <p>2 A. Correct.</p> <p>3 Q. And that was true for all of your</p> <p>4 suppliers?</p> <p>5 A. Yes. At the time.</p> <p>6 Q. So when you went to negotiate that,</p> <p>7 would you negotiate the Urner Barry component of</p> <p>8 it?</p> <p>9 A. No.</p> <p>10 Q. Would you negotiate the freight</p> <p>11 component of it?</p> <p>12 A. Sometimes.</p> <p>13 Q. And how would you do that?</p> <p>14 A. Again, using data that I had available</p> <p>15 to me on, you know, lanes -- different lanes or</p> <p>16 different, you know, things that were happening in</p> <p>17 the, you know, transportation market, gas up or</p> <p>18 down, we could make some arguments in terms of this</p> <p>19 should be less, this should be more.</p> <p>20 Q. So they'd say, we're going to charge you</p> <p>21 10 cents more per pound based on freight than we</p> <p>22 did last quarter. And you would say, I think</p>	<p style="text-align: right;">28</p> <p>1 amount of pounds that you could put on the truck,</p> <p>2 and that would be the lane.</p> <p>3 And carriers are competitive, so there</p> <p>4 are going to be a variety of different costs for</p> <p>5 that, just depending on whether they have available</p> <p>6 backhauls or -- a lot of it depends on capacity. A</p> <p>7 lot of it just depends on, you know, what trucks</p> <p>8 are available in that area or in the area where</p> <p>9 it's going to.</p> <p>10 Q. So you would have a pretty good sense of</p> <p>11 what the freight should cost?</p> <p>12 A. Correct.</p> <p>13 Q. Okay.</p> <p>14 A. And in a lot of cases, General Mills</p> <p>15 managed that. You know, they would use our</p> <p>16 carriers versus using their carriers, so --</p> <p>17 Q. So you might actually say, don't charge</p> <p>18 us for freight; we'll incur our own freight costs?</p> <p>19 A. Yeah, and I'm not exactly sure on what</p> <p>20 we're -- stuff that we're talking about, what our</p> <p>21 terms were at that point, but we can do both,</p> <p>22 either way.</p>
<p style="text-align: right;">27</p> <p>1 that's unreasonable because the price of gasoline</p> <p>2 has actually gone down?</p> <p>3 A. Correct.</p> <p>4 Q. Beyond that, though, did you have any</p> <p>5 knowledge of your suppliers' actual freight costs?</p> <p>6 A. Well, yeah. I mean, we had access to</p> <p>7 the same information that they had access to in</p> <p>8 terms of what the lane was and what a legitimate</p> <p>9 price should be for it, so yes.</p> <p>10 Q. You say what the lane was?</p> <p>11 A. The freight lane. From point A to point</p> <p>12 B is called a lane.</p> <p>13 Q. Can you just describe for me how that</p> <p>14 works?</p> <p>15 A. So it is -- a freight lane is -- so from</p> <p>16 a shipper to our plant is a lane. And what we</p> <p>17 would do is we would have -- we have a</p> <p>18 transportation team that can provide us quotations</p> <p>19 from a variety of different common carriers in</p> <p>20 which they would say a full truckload shipping from</p> <p>21 supplier point A to General Mills plant B is \$2500,</p> <p>22 for example, and then we would divide that by the</p>	<p style="text-align: right;">29</p> <p>1 Q. Okay. So it's possible, then, that the</p> <p>2 price that you're paying can actually just take</p> <p>3 freight out of the equation in terms of what you're</p> <p>4 negotiating with your supplier?</p> <p>5 A. It could, yeah.</p> <p>6 Q. And you have before?</p> <p>7 A. Yeah.</p> <p>8 Q. So then in that situation, you're faced</p> <p>9 with an Urner Barry price and the other stuff that</p> <p>10 we talked about?</p> <p>11 A. Mm-hmm.</p> <p>12 Q. And so how would you go about</p> <p>13 negotiating all of the other components of the</p> <p>14 price?</p> <p>15 A. Well, like I said, it's a lot of</p> <p>16 discussion back and forth, asking questions,</p> <p>17 understanding, you know, their costs, their cost</p> <p>18 structures, what goes into the costs, you know,</p> <p>19 those types of things.</p> <p>20 Q. When I asked if it's -- if you received</p> <p>21 an itemized list, you might not have gotten one on</p> <p>22 paper, but through your discussions, you started to</p>

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<p style="text-align: right;">30</p> <p>1 understand the itemization of how these costs were</p> <p>2 broken down?</p> <p>3 A. Directionally, yes.</p> <p>4 Q. Okay. And in those instances, you would</p> <p>5 be able to negotiate those individual cost items,</p> <p>6 then, with the suppliers?</p> <p>7 A. Yes.</p> <p>8 Q. And I assume you were able to</p> <p>9 successfully negotiate at least some of those terms</p> <p>10 on some instances?</p> <p>11 A. Sometimes, yes.</p> <p>12 Q. So even if Urner Barry remained constant</p> <p>13 from one quarter to the next, the price that you</p> <p>14 paid the next quarter might be more or might be</p> <p>15 less?</p> <p>16 A. It could have been, yes.</p> <p>17 Q. And, in fact, Urner Barry might be</p> <p>18 higher one quarter, but the ultimate price that you</p> <p>19 pay might be less?</p> <p>20 A. I'm not sure how that would work, but --</p> <p>21 Q. Because all of the other items that go</p> <p>22 into making up the price would have gone down,</p>	<p style="text-align: right;">32</p> <p>1 something to do with it?</p> <p>2 A. No.</p> <p>3 Q. Is the Urner Barry breaking stock price</p> <p>4 a regional price or a national price?</p> <p>5 A. I don't know.</p> <p>6 Q. You said that you would look at the</p> <p>7 price.</p> <p>8 A. I don't remember.</p> <p>9 Q. Okay. You said that ultimately General</p> <p>10 Mills switched the pricing methodology that it was</p> <p>11 using to -- or its pricing -- strike that.</p> <p>12 The switched pricing options from one</p> <p>13 that was based on Urner Barry to one that wasn't,</p> <p>14 correct?</p> <p>15 A. Correct.</p> <p>16 Q. And when was that?</p> <p>17 A. Well, I'm not exactly sure when they</p> <p>18 started buying in the new model, but we negotiated</p> <p>19 it when I was on the desk. We started negotiating</p> <p>20 that shift in pricing to the new way.</p> <p>21 Q. You --</p> <p>22 A. I think it was in 2009. I think that</p>
<p style="text-align: right;">31</p> <p>1 right? If Urner Barry went up one cent, but drying</p> <p>2 costs went down 5 cents per pound --</p> <p>3 A. Mm-hmm.</p> <p>4 Q. -- then General Mills would pay less?</p> <p>5 A. Theoretically, yes. Theoretically, yes.</p> <p>6 Q. Do you know if that ever happened?</p> <p>7 A. I don't recall.</p> <p>8 Q. It might have happened?</p> <p>9 A. It might have, yeah.</p> <p>10 Q. Okay. Do you know how the Urner Barry</p> <p>11 price is calculated?</p> <p>12 A. I do not.</p> <p>13 Q. Do you know anything about it?</p> <p>14 A. No.</p> <p>15 Q. Do you know whether or not it is based</p> <p>16 on the nationwide supply of eggs?</p> <p>17 A. I would assume that it probably has</p> <p>18 something to do with it, yeah.</p> <p>19 Q. You don't know one way or the other?</p> <p>20 A. I don't know one way or the other.</p> <p>21 Q. And you don't know, if that does have</p> <p>22 something to do with it, to what extent it has</p>	<p style="text-align: right;">33</p> <p>1 would have been the first time that they probably</p> <p>2 got eggs from the new model.</p> <p>3 Q. Was it a hard switch or was it a</p> <p>4 progressive switch?</p> <p>5 A. No. It was a progressive switch.</p> <p>6 Q. What was the new model?</p> <p>7 A. So the new model was based on -- we</p> <p>8 called it a feed-based model. So it was based on</p> <p>9 input costs, grain, soybean meal for the hens,</p> <p>10 drying, transportation was in there. There was a</p> <p>11 margin piece of it in there as well.</p> <p>12 Q. Urner Barry was not a component of that?</p> <p>13 A. No.</p> <p>14 Q. Were there any -- strike that.</p> <p>15 Was -- were price quotes under that</p> <p>16 methodology fully itemized?</p> <p>17 A. Yes, sir.</p> <p>18 Q. So General Mills knew exactly how that</p> <p>19 ultimate price was derived?</p> <p>20 A. Yes.</p> <p>21 Q. What were the different factors? I know</p> <p>22 you mentioned a few.</p>

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<p style="text-align: right;">34</p> <p>1 A. So -- well, again, it was the drying, 2 manufacturing rate. There's a yield component in 3 all the calculations for dried eggs. And I don't 4 remember what they are, but it's a dry down yield 5 that was calculated into it, so you have X amount 6 of liquid eggs dried down to X amount of dried 7 eggs. There was a component of that. 8 Then there was the feed piece of it, 9 which for the chickens consisted of a mix between 10 corn and soybean meal. And then there was a margin 11 piece of that and then also the freight piece of 12 it, too. 13 Q. So under this model, something like the 14 nationwide supply of eggs would have no effect on 15 the price that was being paid, right? 16 A. I wouldn't necessarily say that, but it 17 was less than the old model that we were using. 18 Q. How would the nationwide supply of eggs 19 affect the price that was charged to General Mills? 20 A. We weren't buying every single thing on 21 that model either. We were still buying -- that 22 was only with one supplier that we went to that.</p>	<p style="text-align: right;">36</p> <p>1 price? 2 A. The way that you've laid it out, no, it 3 would not. 4 Q. Under the -- I'll call it a grain-based 5 model. Is that a fair -- 6 A. Feed-based. 7 Q. Under the feed-based model, how often 8 would that price be adjusted? 9 A. I don't know. They -- that was after I 10 left the desk, so I don't know how often they 11 renegotiated those rates. 12 Q. Do you have any idea of about how often? 13 Again, it wouldn't be daily, right? 14 A. No. It wouldn't be daily, but I don't 15 know. I mean -- I don't know. 16 Q. Who would know that? 17 A. Well, probably Binh Tran, who was on the 18 desk after myself, or the egg buyer after that. 19 Q. You said that the grain-based -- or the 20 feed-based model was used for some of General 21 Mills' egg purchases? 22 A. Mm-hmm.</p>
<p style="text-align: right;">35</p> <p>1 Q. Under this model -- 2 A. Yes. 3 Q. -- how would the nationwide supply of 4 eggs affect the prices being paid by General Mills? 5 A. It wouldn't. 6 Q. So just to be clear, because I jumped 7 around a little bit, under this feed cost model 8 that General Mills negotiated, the nationwide 9 supply of eggs would not affect the price that was 10 paid by General Mills? 11 MR. DAVIS: I object. I don't think you 12 laid a foundation that she has any personal 13 knowledge about that. But you may answer that 14 question. 15 A. I -- could you repeat the question. 16 MR. DAVIS: Sure. Could you read it 17 back? 18 (Whereupon, the requested portion of 19 testimony was read back by the reporter.) 20 A. No. 21 BY MR. DAVIS: 22 Q. No, meaning it would not affect the</p>	<p style="text-align: right;">37</p> <p>1 Q. Right? 2 A. Correct. 3 Q. Did General Mills continue to buy other 4 types of eggs on an Urner Barry-based pricing 5 model? 6 A. Yes. 7 Q. And has that continued through today? 8 A. I don't know. This is where I kind 9 of -- I don't know what happened after I left the 10 desk. I don't know. 11 Q. Prior to this model taking effect in 12 approximately 2009 -- 13 A. Mm-hmm. 14 Q. -- were 100 percent of General Mills' 15 purchases of eggs or egg products based on Urner 16 Barry? 17 A. I believe so, yes. 18 Q. Are you aware of any discussions with 19 egg suppliers -- strike that. 20 Who was the supplier with whom General 21 Mills ultimately negotiated a feed-based pricing 22 model?</p>

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<p style="text-align: right;">38</p> <p>1 A. Rembrandt Enterprises.</p> <p>2 Q. When did those discussions begin?</p> <p>3 A. Probably the early part of 2007. Maybe</p> <p>4 early to mid 2007.</p> <p>5 Q. Prior to those discussions, are you</p> <p>6 aware of any other discussions that General Mills</p> <p>7 had with egg or egg product suppliers regarding a</p> <p>8 pricing model other than the Urner Barry-based one?</p> <p>9 A. I do know that General Mills had a</p> <p>10 approached our suppliers asking if they were</p> <p>11 interested in something like that prior to the</p> <p>12 conversation with Rembrandt.</p> <p>13 Q. When was that?</p> <p>14 A. It was prior to my time at General</p> <p>15 Mills.</p> <p>16 Q. So sometime before December of 2006,</p> <p>17 General Mills approached its suppliers asking if</p> <p>18 they were interested in pricing based off of a</p> <p>19 feed-based model?</p> <p>20 A. Yes.</p> <p>21 Q. And what was the outcome of those</p> <p>22 discussions?</p>	<p style="text-align: right;">40</p> <p>1 cheap. And -- I don't know.</p> <p>2 Q. Have you ever seen a pricing quote from</p> <p>3 a supplier prior to your agreement with Rembrandt</p> <p>4 that was based on feed cost or grain cost?</p> <p>5 A. We did ultimately get one with -- a</p> <p>6 quote from Primera, yes.</p> <p>7 Q. When was that?</p> <p>8 A. I don't exactly recall when, but it</p> <p>9 would have been around the time that we were</p> <p>10 negotiating the deal with Rembrandt.</p> <p>11 Q. So you negotiated with Rembrandt and</p> <p>12 Primera simultaneously?</p> <p>13 A. Well, no. We were negotiating with</p> <p>14 Rembrandt because our intention was to move our</p> <p>15 business to Rembrandt. And we still had -- as</p> <p>16 you -- as we talked about earlier, I had some that</p> <p>17 were still with Primera. So the materials that</p> <p>18 were left at Primera we wanted to move to a cost --</p> <p>19 or a cost plus -- feed-based model as well, and we</p> <p>20 did receive a quote from them on that.</p> <p>21 Q. You use "cost plus" interchangeably?</p> <p>22 A. Cost plus feed based.</p>
<p style="text-align: right;">39</p> <p>1 A. To my knowledge, none of the suppliers</p> <p>2 were interested in doing that.</p> <p>3 Q. Who at General Mills had those</p> <p>4 discussions?</p> <p>5 A. Well, it would have been Scott Wolf and</p> <p>6 probably Paula. I don't know, honestly. But my</p> <p>7 assumption would be it would be Scott.</p> <p>8 Q. With what suppliers did Scott and/or</p> <p>9 Paula have those conversations?</p> <p>10 A. I know that they talked to Primera, our</p> <p>11 main supplier, and I know that they talked to</p> <p>12 Michael Foods.</p> <p>13 Q. Do you know why the suppliers were not</p> <p>14 interested in offering General Mills a feed-based</p> <p>15 pricing model?</p> <p>16 A. I can provide you my opinion on why. I</p> <p>17 don't know -- I wasn't part of any of those</p> <p>18 conversations. But, you know, there was not a lot</p> <p>19 of investment at the time, and I think that from a</p> <p>20 volatility standpoint, grains were very volatile.</p> <p>21 And nobody really wanted to get into it because</p> <p>22 corn and meal were cheap at the time; volatile, but</p>	<p style="text-align: right;">41</p> <p>1 Q. So you received a quote from Primera</p> <p>2 that was in the same time frame that you were</p> <p>3 receiving quotes from Rembrandt as well?</p> <p>4 A. It would have been toward the end of the</p> <p>5 negotiation of the supply agreement with Rembrandt,</p> <p>6 yeah.</p> <p>7 Q. I'll show you a document that's been</p> <p>8 marked as Exhibit 1.</p> <p>9 (Mercuri Exhibit 1 was marked for</p> <p>10 identification.)</p> <p>11 BY MR. DAVIS:</p> <p>12 Q. Have you ever seen this document before?</p> <p>13 A. No.</p> <p>14 Q. Did you say no?</p> <p>15 A. No.</p> <p>16 Q. Are you aware of General Mills receiving</p> <p>17 grain-based pricing quotes from NG Waldbaum Company</p> <p>18 in 2001?</p> <p>19 A. No.</p> <p>20 Q. Who would have been responsible for</p> <p>21 obtaining this in 2001?</p> <p>22 A. I have no idea who the buyer would have</p>

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<p style="text-align: right;">42</p> <p>1 been at the time.</p> <p>2 Q. If you look at this document, is the</p> <p>3 basis for this quote similar to the structure of</p> <p>4 the quotes that you've obtained from Primera and</p> <p>5 Rembrandt?</p> <p>6 A. It -- yeah, it's similar.</p> <p>7 Q. So this quote is a feed-based quote, the</p> <p>8 same as the type that you ultimately received,</p> <p>9 again, seven or eight years later?</p> <p>10 MR. CAMPBELL: Objection. Misstates her</p> <p>11 testimony.</p> <p>12 BY MR. DAVIS:</p> <p>13 Q. You can answer.</p> <p>14 A. Can you repeat the question?</p> <p>15 (Whereupon, the requested portion of</p> <p>16 testimony was read back by the reporter.)</p> <p>17 MR. CAMPBELL: My objection, Evan, is</p> <p>18 the word "same" as opposed to "similar," which she</p> <p>19 used.</p> <p>20 MR. DAVIS: Your objection is fine as</p> <p>21 you initially made it.</p> <p>22</p>	<p style="text-align: right;">44</p> <p>1 liquid to dry," that's a piece of the model that's</p> <p>2 really important.</p> <p>3 Q. How is that different from the quotes</p> <p>4 that you received earlier?</p> <p>5 A. Like I said, I don't know exactly what</p> <p>6 our quote was from Rembrandt. But these</p> <p>7 conversions would make a big difference in the</p> <p>8 price.</p> <p>9 Q. You just mean that the amounts are</p> <p>10 different?</p> <p>11 A. Right.</p> <p>12 Q. But the items are the same?</p> <p>13 A. The items are the same, but in the</p> <p>14 calculation, unless I understood what the</p> <p>15 calculations were to compare them side by side,</p> <p>16 can't say that they're exactly the same. They're</p> <p>17 similar, the components are similar of what I'm</p> <p>18 seeing here, but from a calculations standpoint, I</p> <p>19 don't know if they're exactly the same.</p> <p>20 Q. Sure. But from a component standpoint,</p> <p>21 you're not aware of anything that's different?</p> <p>22 A. No.</p>
<p style="text-align: right;">43</p> <p>1 BY MR. DAVIS:</p> <p>2 Q. Go ahead.</p> <p>3 A. Yeah, it's similar.</p> <p>4 Q. It's similar?</p> <p>5 A. It's similar.</p> <p>6 Q. It's not the same?</p> <p>7 A. It's not -- no, it's not exactly the</p> <p>8 same.</p> <p>9 Q. How is it different?</p> <p>10 A. Well, first of all, I don't know how</p> <p>11 they're deriving the corn and bean meal and whether</p> <p>12 that's being managed by General Mills or, in this</p> <p>13 case, Waldbaum.</p> <p>14 I think the conversions are different.</p> <p>15 I mean, without having the background of the</p> <p>16 calculations, it appears to be similar in nature,</p> <p>17 but I think that for sure, the conversions are</p> <p>18 different and then also I would also question how</p> <p>19 the grain market information is derived.</p> <p>20 Q. What do you mean the conversions are</p> <p>21 different?</p> <p>22 A. So the line that says "conversion from</p>	<p style="text-align: right;">45</p> <p>1 Q. Thanks. You can put that aside.</p> <p>2 Let me show you what's been marked as</p> <p>3 Exhibit 2.</p> <p>4 (Mercuri Exhibit 2 was marked for</p> <p>5 identification.)</p> <p>6 BY MR. DAVIS:</p> <p>7 Q. Do you recognize this document?</p> <p>8 A. Yes.</p> <p>9 Q. What is it?</p> <p>10 A. It's an Egg Overview that I presented to</p> <p>11 leadership, sourcing leadership.</p> <p>12 Q. Why did you create this document?</p> <p>13 A. We were required to provide monthly</p> <p>14 updates to senior leadership on all of our</p> <p>15 categories.</p> <p>16 Q. Monthly, you said?</p> <p>17 A. Monthly, yeah.</p> <p>18 Q. Was that true before you arrived at</p> <p>19 General Mills?</p> <p>20 A. I don't know.</p> <p>21 Q. Did you have any discussions with your</p> <p>22 predecessor about it?</p>

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<p style="text-align: right;">46</p> <p>1 A. No.</p> <p>2 Q. You don't know if you were the first one</p> <p>3 to do this?</p> <p>4 A. I don't know if I was the first one to</p> <p>5 do this. At the time when I was on the desk, this</p> <p>6 is what was required of us.</p> <p>7 Q. Okay. If you'll turn -- I'm going to</p> <p>8 refer to these numbers that are in the bottom</p> <p>9 right-hand corner. They start with GMI.</p> <p>10 A. Mm-hmm.</p> <p>11 Q. If you'll turn to the page that says</p> <p>12 1156, and here you reference a sourcing strategy,</p> <p>13 correct?</p> <p>14 A. Mm-hmm.</p> <p>15 Q. Yes?</p> <p>16 A. Yes.</p> <p>17 Q. And you say that "Seasonal buy of</p> <p>18 'cheap' eggs to dry and store for later use." Do</p> <p>19 you see that?</p> <p>20 A. Yes.</p> <p>21 Q. What does that mean?</p> <p>22 A. So eggs, based on the data that we had</p>	<p style="text-align: right;">48</p> <p>1 later part of the year?</p> <p>2 A. Sure. Mm-hmm.</p> <p>3 Q. But you tried to buy as much as you</p> <p>4 could while the demand was low, and as little as</p> <p>5 possible when --</p> <p>6 A. Right. Based on the Urner Barry model</p> <p>7 that we were using, the breaking stock model that</p> <p>8 we've talked about, yes, that was the strategy.</p> <p>9 Q. Is that something that General Mills</p> <p>10 could do because it was purchasing dried egg?</p> <p>11 A. Yeah, right. Because dried egg has a</p> <p>12 longer shelf life than liquid egg.</p> <p>13 Q. How long is that shelf life?</p> <p>14 A. I don't recall. It's probably at least</p> <p>15 a year, maybe longer. I don't know exactly.</p> <p>16 Q. So if a company -- General Mills doesn't</p> <p>17 purchase shell eggs, right?</p> <p>18 A. No.</p> <p>19 Q. If a company purchased shell eggs, they</p> <p>20 wouldn't be able to adopt this identical approach,</p> <p>21 correct?</p> <p>22 A. I would assume not.</p>
<p style="text-align: right;">47</p> <p>1 collected over time, there was a seasonal pattern</p> <p>2 of pricing where after Easter, the demand would go</p> <p>3 down and the Urner Barry price would fall. And so</p> <p>4 what we were doing was buying that breaking stock</p> <p>5 at that point when it was cheap, having our</p> <p>6 supplier dry it and store it for us to use later on</p> <p>7 during key baking season.</p> <p>8 Q. When is key baking season?</p> <p>9 A. It starts in July and goes through</p> <p>10 December.</p> <p>11 Q. So just to make sure I understand this</p> <p>12 right, you would -- General Mills would not buy the</p> <p>13 same amounts consistently over the course of a</p> <p>14 year?</p> <p>15 A. Right. Correct. We had seasonal demand</p> <p>16 in the back half of the calendar year because of</p> <p>17 holidays.</p> <p>18 Q. But you would actually purchase at a</p> <p>19 time when demand was low so that you got a better</p> <p>20 price?</p> <p>21 A. Correct.</p> <p>22 Q. Would you buy at all in those -- that</p>	<p style="text-align: right;">49</p> <p>1 Q. Because you can't buy a shell egg in</p> <p>2 April and use it in November?</p> <p>3 A. Right.</p> <p>4 Q. And the ultimate amount of money, then,</p> <p>5 that General Mills spent on eggs using this</p> <p>6 approach was less than it would have been had</p> <p>7 General Mills just bought a consistent volume every</p> <p>8 month? That's why you did this?</p> <p>9 A. Theoretically, yes.</p> <p>10 Q. To save money?</p> <p>11 A. Yes.</p> <p>12 Q. Because that was part of your</p> <p>13 responsibility, was to pay as little for eggs as</p> <p>14 possible?</p> <p>15 A. Right.</p> <p>16 Q. Could you turn to the page that ends in</p> <p>17 1161.</p> <p>18 A. Mm-hmm.</p> <p>19 Q. It says, "A Changing Egg Market Requires</p> <p>20 a Change in Buying Strategy" at the top.</p> <p>21 A. Yes.</p> <p>22 Q. And this is dated October of 2007.</p>

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<p style="text-align: right;">50</p> <p>1 A. Mm-hmm.</p> <p>2 Q. What was changing about the egg market</p> <p>3 at that time?</p> <p>4 A. Based on our analysis that we had, the</p> <p>5 industry growth was starting to slow significantly.</p> <p>6 And so we were thinking that we needed to do</p> <p>7 something different -- the price of eggs was very</p> <p>8 volatile in that period of growth back all the way</p> <p>9 to, you know, the early -- probably early '90s,</p> <p>10 maybe even late '80s. And so we had wanted to</p> <p>11 change our strategy based on the changes that were</p> <p>12 going on in the industry.</p> <p>13 So more investments were going to other</p> <p>14 areas. Suppliers weren't investing in new</p> <p>15 technology and so forth. So we felt we needed to</p> <p>16 change our strategy.</p> <p>17 Q. So General Mills monitored the</p> <p>18 industries of its suppliers for things like this,</p> <p>19 right?</p> <p>20 A. Yes.</p> <p>21 Q. Including eggs?</p> <p>22 A. Yes.</p>	<p style="text-align: right;">52</p> <p>1 Rembrandt, and so we didn't have to pay for the</p> <p>2 freight shipping the breaking stock eggs to the</p> <p>3 drying house. They had -- so freight savings</p> <p>4 there.</p> <p>5 From a quality standpoint, quality was</p> <p>6 improved because the eggs were fresh essentially.</p> <p>7 And then because Rembrandt was installing new</p> <p>8 equipment, the yields were -- the dryers were</p> <p>9 highly efficient, and so, therefore, the yields</p> <p>10 were much better than what we were seeing from our</p> <p>11 other suppliers.</p> <p>12 Q. So tell me if I understand this</p> <p>13 correctly. Vertical integration was a benefit to</p> <p>14 General Mills because, one, the product was of a</p> <p>15 higher quality and, two, there was a lower cost due</p> <p>16 to both obtaining a better yield and paying less</p> <p>17 for freight?</p> <p>18 A. Correct.</p> <p>19 Q. I'll show you what's been marked --</p> <p>20 sorry. You can put that away. I'll show you</p> <p>21 what's been marked as Exhibit 3.</p> <p>22 (Mercuri Exhibit 3 was marked for</p>
<p style="text-align: right;">51</p> <p>1 Q. And in approximately October of 2007,</p> <p>2 you recognized that there was a change that was</p> <p>3 starting in the egg industry?</p> <p>4 A. Well, I think we recognized it before</p> <p>5 that, but yes, throughout that period, that year</p> <p>6 essentially. I mean, that's why we started</p> <p>7 negotiating with Rembrandt on a different</p> <p>8 structure.</p> <p>9 Q. So this change in the egg industry</p> <p>10 started sometime in 2007, and you then began your</p> <p>11 discussions with Rembrandt?</p> <p>12 A. Based on our analysis, it was starting</p> <p>13 around that time, yes.</p> <p>14 Q. Turn to the next page, 1162. You say</p> <p>15 here that "Rembrandt Offers Long-term Cost</p> <p>16 Advantage."</p> <p>17 A. Yes.</p> <p>18 Q. And the first item is "vertical</p> <p>19 integration." How is vertical integration of a</p> <p>20 supplier a benefit for General Mills?</p> <p>21 A. Well, in this particular case, it was a</p> <p>22 cost savings in that the hen houses were on site at</p>	<p style="text-align: right;">53</p> <p>1 identification.)</p> <p>2 BY MR. DAVIS:</p> <p>3 Q. Do you recognize this document?</p> <p>4 A. Yes.</p> <p>5 Q. What is this?</p> <p>6 A. It appears to be an agenda for our visit</p> <p>7 to Rembrandt.</p> <p>8 Q. At what point in your discussions with</p> <p>9 Rembrandt did you visit there?</p> <p>10 A. Well, May 20th and 21st. I don't know.</p> <p>11 That would have been probably 2007.</p> <p>12 Q. It looks like 2008 --</p> <p>13 A. Yeah, I don't know.</p> <p>14 Q. -- from the next page, or the third</p> <p>15 page, rather.</p> <p>16 MR. CAMPBELL: Go to the third page.</p> <p>17 THE WITNESS: Yeah, there you go. 2008.</p> <p>18 BY MR. DAVIS:</p> <p>19 Q. What I was asking more is, is this</p> <p>20 during the course of your negotiations?</p> <p>21 A. During the negotiations, yeah, right.</p> <p>22 And probably actually closer to the end of them</p>

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<p style="text-align: right;">54</p> <p>1 being ready to start making product for us.</p> <p>2 Q. Why did you take this trip?</p> <p>3 A. We wanted to see the new dryers. And we</p> <p>4 wanted to take our quality folks down there and our</p> <p>5 R&D folks down there to show them the new supplier.</p> <p>6 Q. Look at page 1. There's some</p> <p>7 handwriting. Is that yours?</p> <p>8 A. No, it's not.</p> <p>9 Q. Do you know whose that is?</p> <p>10 A. No, I don't.</p> <p>11 Q. If you see in this handwriting it says,</p> <p>12 "Animal welfare - VPC - USDA Verified/Process</p> <p>13 verification/" -- it appears to say "customer</p> <p>14 driven." And it references "50 square</p> <p>15 inches/stand, 67 sq (UEP)." Do you see that?</p> <p>16 A. Yes.</p> <p>17 Q. Do you recall any discussions about</p> <p>18 animal welfare taking place during this visit?</p> <p>19 A. I don't recall, no. We did visit a hen</p> <p>20 house that was under construction and talked about</p> <p>21 cages. That's the only thing that I recall out of</p> <p>22 that trip.</p>	<p style="text-align: right;">56</p> <p>1 something that we were actively pursuing as a</p> <p>2 company.</p> <p>3 Q. It was a factor in your decisions?</p> <p>4 A. It wasn't a factor.</p> <p>5 Q. It was not a factor?</p> <p>6 A. No.</p> <p>7 Q. I'll show you what's been marked as</p> <p>8 Exhibit 4.</p> <p>9 (Mercuri Exhibit 4 was marked for</p> <p>10 identification.)</p> <p>11 BY MR. DAVIS:</p> <p>12 Q. Do you recognize this document?</p> <p>13 A. Yeah. Yes.</p> <p>14 Q. What is this?</p> <p>15 A. This is a General Mills contract.</p> <p>16 Q. And is this similar to the type that you</p> <p>17 would enter into for dried or liquid egg purchases?</p> <p>18 A. Yes.</p> <p>19 Q. And it appears here that this particular</p> <p>20 contract is valid for a four-month period of time;</p> <p>21 is that right?</p> <p>22 A. Yeah.</p>
<p style="text-align: right;">55</p> <p>1 Q. What discussions were had about cages?</p> <p>2 A. They were just showing us the cages and</p> <p>3 how they worked, how they were tipped and the eggs,</p> <p>4 like, rolled down the cage and went out to the</p> <p>5 breaking house.</p> <p>6 Q. Was there any discussion of the amount</p> <p>7 of cage space that was provided to the hens?</p> <p>8 A. Not that I recall.</p> <p>9 Q. Did you ask?</p> <p>10 A. I don't recall if I asked or not.</p> <p>11 Q. Do you recall ever asking a supplier</p> <p>12 about animal welfare-related issues for egg-laying</p> <p>13 hens?</p> <p>14 A. No.</p> <p>15 Q. You don't recall ever having that --</p> <p>16 A. I don't recall ever having that</p> <p>17 conversation.</p> <p>18 Q. Is that not something that was relevant</p> <p>19 to your egg purchasing decisions?</p> <p>20 A. It was a factor. We knew that it was</p> <p>21 out there based on publicly available information</p> <p>22 that we had to us. But at the time, it wasn't</p>	<p style="text-align: right;">57</p> <p>1 Q. Yes?</p> <p>2 A. Yes.</p> <p>3 Q. And it's valid beginning on May 1st and</p> <p>4 it's dated really only a few days before that up at</p> <p>5 the top, it looks like.</p> <p>6 A. Mm-hmm.</p> <p>7 Q. Is that right?</p> <p>8 A. Yes.</p> <p>9 Q. Are these prices based on an Urner Barry</p> <p>10 model?</p> <p>11 A. Yes. It was with Michaels. Yes.</p> <p>12 Q. So when would these -- well, strike</p> <p>13 that.</p> <p>14 Do you know around when, then, the Urner</p> <p>15 Barry price would be derived that this is based on?</p> <p>16 A. No, I don't.</p> <p>17 Q. It would be sometime in April, if this</p> <p>18 was dated April 26th?</p> <p>19 A. You could assume that, yes.</p> <p>20 Q. And then it was good for purchases made</p> <p>21 from May through the end of August of that month</p> <p>22 [sic], right?</p>

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<p style="text-align: right;">58</p> <p>1 A. Yes.</p> <p>2 Q. So going back to the conversation we had</p> <p>3 about seasonal purchasing --</p> <p>4 A. Mm-hmm.</p> <p>5 Q. -- an Urner Barry price in April would</p> <p>6 be on the high end or the low end of the price for</p> <p>7 the year?</p> <p>8 A. It kind of depends on when Easter is.</p> <p>9 Q. Okay.</p> <p>10 A. So the seasonal break, if you will, from</p> <p>11 a cost perspective would happen in late spring. So</p> <p>12 April if you had an early Easter -- potentially</p> <p>13 late April if you had an early Easter, and then</p> <p>14 into May.</p> <p>15 Q. It's really just once Easter happens,</p> <p>16 the price goes down?</p> <p>17 A. Pretty much.</p> <p>18 Q. Okay. And that's because demand for</p> <p>19 eggs goes down?</p> <p>20 A. Right. Exactly. So you have high</p> <p>21 demand during the holiday seasons when you have a</p> <p>22 lot of people baking and then you have -- the</p>	<p style="text-align: right;">60</p> <p>1 Q. So you might say, we want to buy through</p> <p>2 the rest of the year on this price, and they'd</p> <p>3 say --</p> <p>4 A. No.</p> <p>5 Q. -- no, you're going to buy for a month.</p> <p>6 A. Right.</p> <p>7 Q. And you'd say, how about four months?</p> <p>8 And they'd say, okay, fine.</p> <p>9 A. Yeah.</p> <p>10 Q. In this instance, that four-month term</p> <p>11 is what was ultimately arrived at?</p> <p>12 A. Correct.</p> <p>13 Q. And then General Mills would need to</p> <p>14 negotiate a new contract for pricing terms</p> <p>15 beginning September 1 of that year in this</p> <p>16 instance?</p> <p>17 A. In this instance, yes.</p> <p>18 Q. Would General Mills then draw off of</p> <p>19 this contract throughout the four-month period or</p> <p>20 would it receive everything at once or --</p> <p>21 A. No. We would draw off the contracts.</p> <p>22 So our plants would place purchase orders that</p>
<p style="text-align: right;">59</p> <p>1 demand continues through Easter and then it kind of</p> <p>2 falls off in summer and early fall.</p> <p>3 Q. So would General Mills, then, negotiate</p> <p>4 these contracts in the -- the late April time frame</p> <p>5 would be pretty standard?</p> <p>6 A. Not -- I wouldn't say necessarily</p> <p>7 standard. But, I mean, yes, if we wanted to take</p> <p>8 advantage of the low seasonal pricing, then yes.</p> <p>9 Because we are going to need -- we would need</p> <p>10 another contract, more than one, to get us through</p> <p>11 the rest of the year. So this isn't going to cover</p> <p>12 just everything.</p> <p>13 Q. Right. But you would try to get this to</p> <p>14 cover as long a period of time as possible if it's</p> <p>15 based on this low Urner Barry price?</p> <p>16 A. Yeah. The supplier would agree to that,</p> <p>17 yes.</p> <p>18 Q. So you might say to the supplier, how</p> <p>19 long are you going to let us buy off this price,</p> <p>20 and that might be something that's negotiated, or</p> <p>21 not?</p> <p>22 A. Yes, for sure.</p>	<p style="text-align: right;">61</p> <p>1 would be pulled -- the volumes would be pulled off</p> <p>2 of this contract.</p> <p>3 Q. Would it matter to the supplier, though,</p> <p>4 if they were shipping everything at once versus</p> <p>5 piecemeal, from a freight standpoint?</p> <p>6 A. Well, it would matter to them because</p> <p>7 they wouldn't probably be able to make these</p> <p>8 volumes all at one time, and they wouldn't all fit</p> <p>9 on one truck either. But, you know, I mean --</p> <p>10 Q. Okay. You can put that aside. I will</p> <p>11 show you what's been marked as Exhibit 5.</p> <p>12 (Mercuri Exhibit 5 was marked for</p> <p>13 identification.)</p> <p>14 BY MR. DAVIS:</p> <p>15 Q. Do you recognize this document?</p> <p>16 A. Yes.</p> <p>17 Q. What is this?</p> <p>18 A. Well, this looks like it's the strategy</p> <p>19 review in our final move to Rembrandt.</p> <p>20 Q. Why did you prepare this document?</p> <p>21 A. Well, the entire project, if you will,</p> <p>22 of moving from one supplier to another required a</p>

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<p style="text-align: right;">62</p> <p>1 significant capital investment for a supplier. And</p> <p>2 because of that, General Mills was asked to do a</p> <p>3 long-term agreement.</p> <p>4 And in the case of any long-term</p> <p>5 agreements, we have to have very senior alignment</p> <p>6 because we would enter into anything that's longer</p> <p>7 than a year or two. So in this case, this was -- I</p> <p>8 don't know exactly who the audience was, but</p> <p>9 probably to senior leaders to get their alignment</p> <p>10 on moving forward with this project.</p> <p>11 Q. Why does a move to a new supplier</p> <p>12 require a significant capital investment by that</p> <p>13 supplier?</p> <p>14 A. It doesn't always. In this case, it</p> <p>15 did.</p> <p>16 Q. Why did it in this case?</p> <p>17 A. Because Rembrandt did not have dryers.</p> <p>18 Q. Okay.</p> <p>19 A. So they had to put in dryers in order to</p> <p>20 supply us. And so they had to -- that was a</p> <p>21 significant capital piece for them.</p> <p>22 Q. Do you have a sense of how many --</p>	<p style="text-align: right;">64</p> <p>1 egg supplier when we only have one plant out there,</p> <p>2 for example.</p> <p>3 Q. So geography is important?</p> <p>4 A. In the case of eggs, yes.</p> <p>5 Q. And how about just the ability to make</p> <p>6 products according to General Mills'</p> <p>7 specifications?</p> <p>8 A. Absolutely. Very important.</p> <p>9 Q. Is that something that all producers of</p> <p>10 eggs and egg products can do?</p> <p>11 A. Make General Mills products?</p> <p>12 Q. Make products according to General</p> <p>13 Mills' specifications.</p> <p>14 A. I don't know. I mean -- I don't know.</p> <p>15 Q. If you'll turn in this document to the</p> <p>16 page that ends in 1008, you'll see at the top that</p> <p>17 it references Project Windmill.</p> <p>18 A. Mm-hmm.</p> <p>19 Q. Yes.</p> <p>20 A. Yes.</p> <p>21 Q. Is that the switch of supplier to</p> <p>22 Rembrandt?</p>
<p style="text-align: right;">63</p> <p>1 strike that.</p> <p>2 When you were negotiating with</p> <p>3 Rembrandt, presumably you looked at all of the</p> <p>4 options that were available to General Mills for</p> <p>5 supply?</p> <p>6 A. Mm-hmm.</p> <p>7 Q. Is that right?</p> <p>8 A. Sure.</p> <p>9 Q. And about how many was that?</p> <p>10 A. How many suppliers, you mean?</p> <p>11 Q. Yeah.</p> <p>12 A. A handful. Six maybe. Five or six.</p> <p>13 Q. And you'll agree with me that there are</p> <p>14 far more than five or six suppliers of eggs and egg</p> <p>15 products in the United States?</p> <p>16 A. Sure.</p> <p>17 Q. So why did General Mills focus on only</p> <p>18 five or six?</p> <p>19 A. Well, probably because we had</p> <p>20 relationships with them in the past or they were</p> <p>21 geographically located near our plants. So it</p> <p>22 doesn't makes sense for us to buy from a California</p>	<p style="text-align: right;">65</p> <p>1 A. That is the internal project name of the</p> <p>2 move to Rembrandt, yes.</p> <p>3 Q. And here it anticipates that it will</p> <p>4 drive \$3.4 million in productivity; is that right?</p> <p>5 A. Correct.</p> <p>6 Q. The efficiencies achieved by Rembrandt</p> <p>7 will add \$1.8 million in savings and then the</p> <p>8 change in the pricing model, another \$1.6 million</p> <p>9 in savings; is that right?</p> <p>10 A. That's correct.</p> <p>11 Q. And under the change in pricing model,</p> <p>12 you talked about this, the feed cost model is a</p> <p>13 matrix pricing with only two variables, corn and</p> <p>14 bean meal, as opposed to anything that's based on</p> <p>15 market pricing like Urner Barry?</p> <p>16 A. Correct.</p> <p>17 Q. Down below, it says, "GMI able to</p> <p>18 utilize grain risk strategies to hedge corn and</p> <p>19 meal." Is that right?</p> <p>20 A. Correct.</p> <p>21 Q. What does that mean?</p> <p>22 A. So General Mills has a very</p>

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<p style="text-align: right;">66</p> <p>1 sophisticated risk management team that's part of</p> <p>2 commodities in which we have -- use our analysis to</p> <p>3 hedge all -- a variety of commodity products and --</p> <p>4 with corn, for example, soybean meals, cocoa and</p> <p>5 chocolate, sugar, all our commodities.</p> <p>6 And we feel that our expertise in that</p> <p>7 area is better than what our suppliers had. And so</p> <p>8 by taking that in-house -- or taking that internal,</p> <p>9 we would be able to control that better and have</p> <p>10 lower costs of our products.</p> <p>11 Q. And at an Econ 101 level, hedging</p> <p>12 involves investments in commodities that would</p> <p>13 balance out the risk associated with buying those</p> <p>14 commodities -- or with the prices of those</p> <p>15 commodities fluctuating from an input standpoint?</p> <p>16 A. Correct. So -- yeah. I mean, when we</p> <p>17 say "hedge," we mean that we're looking at a</p> <p>18 futures position. We will take that position and</p> <p>19 then use that price, that predicted price or</p> <p>20 expected price for that commodity to calculate our</p> <p>21 pricing for, in this case, the eggs.</p> <p>22 Q. And is the idea there to mitigate risk?</p>	<p style="text-align: right;">68</p> <p>1 company. So, yeah, Pillsbury was grain trading.</p> <p>2 And so a lot of the expertise came from doing it</p> <p>3 for a hundred years, yeah.</p> <p>4 Q. And ultimately this has been a</p> <p>5 successful strategy?</p> <p>6 A. Yes.</p> <p>7 Q. So just to play this out --</p> <p>8 (Telephone interruption.)</p> <p>9 BY MR. DAVIS:</p> <p>10 Q. Just to play this out, if the -- under</p> <p>11 your feed-based model, if the price of soybean goes</p> <p>12 up, the ultimate bottom line hit to General Mills</p> <p>13 is different than it would be for, say, a</p> <p>14 competitor of General Mills that's buying on an</p> <p>15 identical pricing model but not hedging?</p> <p>16 A. Potentially.</p> <p>17 Q. So you kind of have to look at each</p> <p>18 purchaser individually to ascertain what the</p> <p>19 ultimate cost to the company is based on things</p> <p>20 like its hedging models?</p> <p>21 A. I would assume so, yes.</p> <p>22 Q. Did General Mills hedge at all when it</p>
<p style="text-align: right;">67</p> <p>1 A. Yes. Mitigate risk and have a more</p> <p>2 predictable price.</p> <p>3 Q. So when the price for a commodity goes</p> <p>4 down, General Mills might not realize the same</p> <p>5 savings, but when it goes up, General Mills</p> <p>6 wouldn't realize the same cost increase?</p> <p>7 A. Not necessarily, because when the</p> <p>8 price -- the commodity prices are going down, we're</p> <p>9 also taking options positions to capture the</p> <p>10 downside. So it can be a mix of futures positions</p> <p>11 and options together.</p> <p>12 Q. So when the commodity price goes down,</p> <p>13 General Mills could see savings and profits. When</p> <p>14 the price goes up, General Mills won't see the same</p> <p>15 cost increase for its inputs that it would had it</p> <p>16 not hedged those commodities?</p> <p>17 A. In either case, that's possible, yes.</p> <p>18 Q. That's the idea?</p> <p>19 A. That's the idea.</p> <p>20 Q. And General Mills had some success, as</p> <p>21 you just said, at making that idea into reality?</p> <p>22 A. Our heritage is grain trading as a</p>	<p style="text-align: right;">69</p> <p>1 purchased off of an Urner Barry model?</p> <p>2 A. For eggs?</p> <p>3 Q. Yeah.</p> <p>4 A. No.</p> <p>5 Q. Why not?</p> <p>6 A. Because we didn't have any suppliers</p> <p>7 that were on that type of model.</p> <p>8 Q. Does the price that was paid for eggs</p> <p>9 when General Mills bought off of an Urner Barry</p> <p>10 model rise and fall, in part, based on the price of</p> <p>11 corn?</p> <p>12 A. I would assume so. I don't know that</p> <p>13 for sure because we didn't have visibility into</p> <p>14 that from our suppliers.</p> <p>15 Q. Did General Mills operate under that</p> <p>16 assumption?</p> <p>17 A. I don't know. I don't know.</p> <p>18 Q. Well, I'll take it back. The feed,</p> <p>19 chicken feed --</p> <p>20 A. Mm-hmm.</p> <p>21 Q. -- even if you're not buying on a feed</p> <p>22 cost model, the cost of feed to the supplier still</p>

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<p style="text-align: right;">70</p> <p>1 rises and falls?</p> <p>2 A. Sure. Yes.</p> <p>3 Q. And you understood that that change in</p> <p>4 cost to the supplier was being passed on or</p> <p>5 reflected in the price that was being paid by</p> <p>6 General Mills, right?</p> <p>7 A. Sure.</p> <p>8 Q. So when the cost of corn went up, the</p> <p>9 cost of feed went up and you anticipated that the</p> <p>10 price that General Mills would pay even under the</p> <p>11 Urner Barry model was still going up?</p> <p>12 A. Sure. The Urner Barry price could have</p> <p>13 had some of that in it as well. We don't know.</p> <p>14 But it could have been already built into it</p> <p>15 without our knowledge.</p> <p>16 Q. Right. But ultimately -- however it's</p> <p>17 getting there, that full price that the supplier</p> <p>18 says, our cost went up or the total price has gone</p> <p>19 up, that is encapsulating some increase in the</p> <p>20 price of corn when that would occur?</p> <p>21 A. Well, if you think about the way that we</p> <p>22 had -- if you think about the breaking stock model,</p>	<p style="text-align: right;">72</p> <p>1 Q. And it's a conversation that -- do you</p> <p>2 know if you ever had that conversation with a</p> <p>3 supplier?</p> <p>4 A. I'm sure I've had that conversation,</p> <p>5 yes.</p> <p>6 Q. Okay. Thank you. Given that basis for</p> <p>7 pricing, would it be possible for General Mills to</p> <p>8 hedge based on the price of corn?</p> <p>9 A. In a breaking stock model?</p> <p>10 Q. Yes.</p> <p>11 A. No.</p> <p>12 Q. Why not?</p> <p>13 A. Because if we aren't actually taking --</p> <p>14 if there is not actually a model that would</p> <p>15 translate back to that corn purchase, we can't just</p> <p>16 buy corn or take a position on corn and meal</p> <p>17 without having a direct -- you know, having that</p> <p>18 all, like, come back to us in a cost model. From a</p> <p>19 controls perspective, we're not allowed to do that.</p> <p>20 Q. So it's because you don't really know</p> <p>21 exactly how -- you know corn is affecting the</p> <p>22 price, but you can't pinpoint this is exactly how</p>
<p style="text-align: right;">71</p> <p>1 if everything was only based off of the Urner Barry</p> <p>2 price, then unless they were putting in an adder on</p> <p>3 top of all of that to say, well, corn went up, too,</p> <p>4 you know, we don't know, I guess, is the right</p> <p>5 answer. We don't know whether that was the case or</p> <p>6 not because we didn't have visibility into all of</p> <p>7 the other components that our suppliers were</p> <p>8 putting into the price.</p> <p>9 Q. Right. But you had discussions with</p> <p>10 your suppliers about price?</p> <p>11 A. Right.</p> <p>12 Q. And was it ever said that our costs are</p> <p>13 higher because the price of corn has gone up?</p> <p>14 A. Maybe.</p> <p>15 Q. That would be a reasonable thing for a</p> <p>16 supplier to say, right?</p> <p>17 A. Sure.</p> <p>18 Q. The price has corn has gone up, so our</p> <p>19 feed costs have gone up and we're passing some of</p> <p>20 that along to you?</p> <p>21 A. Sure. I mean, that's a reasonable</p> <p>22 conversation, yes.</p>	<p style="text-align: right;">73</p> <p>1 it's affecting the price?</p> <p>2 A. It's more about the ownership piece of</p> <p>3 it than it is about the price. We can't hedge</p> <p>4 something that we don't have control over. So</p> <p>5 we're not going to take a hedge on an egg model</p> <p>6 that we're using Urner Barry pricing on. Does that</p> <p>7 make sense?</p> <p>8 Q. It does.</p> <p>9 A. Okay.</p> <p>10 MR. DAVIS: Why don't we go off the</p> <p>11 record and take a short break.</p> <p>12 MR. CAMPBELL: Sure.</p> <p>13 THE VIDEOGRAPHER: We're going off the</p> <p>14 record at about 9:26 a.m.</p> <p>15 (Whereupon, a recess was taken from 9:26</p> <p>16 a.m to 9:41 a.m.)</p> <p>17 THE VIDEOGRAPHER: We are back on the</p> <p>18 record. This is the continuing videotaped</p> <p>19 deposition of Tiffany Mercuri taken on March the</p> <p>20 6th 2014. The time is about 9:41 a.m.</p> <p>21 BY MR. DAVIS:</p> <p>22 Q. Ms. Mercuri, I'll hand you what's been</p>

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20 (Pages 74 to 77)

<p style="text-align: right;">74</p> <p>1 marked as Exhibit 6.</p> <p>2 (Mercuri Exhibit 6 was marked for</p> <p>3 identification.)</p> <p>4 BY MR. DAVIS:</p> <p>5 Q. Do you recognize Exhibit 6?</p> <p>6 A. I don't believe I've ever seen it. It</p> <p>7 looks like a General Mills supply agreement, but I</p> <p>8 don't believe I've ever seen this one, no.</p> <p>9 Q. Does this appear to be a draft of the</p> <p>10 agreement that was negotiated with Primera?</p> <p>11 A. That's what it -- yes, it looks like</p> <p>12 that.</p> <p>13 Q. Now, I know that you testified earlier</p> <p>14 that General Mills entered into a contract with</p> <p>15 Rembrandt. Is that right?</p> <p>16 A. Correct.</p> <p>17 Q. And that that was based on a feed cost</p> <p>18 model?</p> <p>19 A. Correct.</p> <p>20 Q. Did General Mills also enter into a</p> <p>21 contract with Primera that was based on a feed cost</p> <p>22 model?</p>	<p style="text-align: right;">76</p> <p>1 Q. Okay. So let's start with the contracts</p> <p>2 that you sign.</p> <p>3 A. Okay.</p> <p>4 Q. Where do they go?</p> <p>5 A. So this -- that document right here,</p> <p>6 Exhibit 4, is a contract.</p> <p>7 Q. Okay.</p> <p>8 A. It's entered into our SAP system. It</p> <p>9 comes to the buyer for signature, and there's a</p> <p>10 level of controls in which if the cost is at a</p> <p>11 certain amount, it has to go to, you know, a level</p> <p>12 higher, and I don't know exactly what the levels</p> <p>13 are. But I think a buyer can sign up to a couple</p> <p>14 million dollars.</p> <p>15 And then the contract is then sent to</p> <p>16 the supplier, either faxed or e-mail, I guess. Fax</p> <p>17 back in the day. And then it goes into our</p> <p>18 sourcing assistants or category specialists that</p> <p>19 assist with the category, they keep a copy of it as</p> <p>20 well.</p> <p>21 Q. Is that the only copy, then, that -- the</p> <p>22 sourcing assistant has a copy and the category</p>
<p style="text-align: right;">75</p> <p>1 A. There was discussions of that right as I</p> <p>2 was leaving the desk.</p> <p>3 Q. And you don't know whether or not a</p> <p>4 contract was ultimately entered into?</p> <p>5 A. I think it was. I'm not exactly sure.</p> <p>6 Q. And that was based on feed cost model as</p> <p>7 well?</p> <p>8 A. I believe so, yes.</p> <p>9 Q. So after that contract was entered into,</p> <p>10 did General Mills continue to buy from other</p> <p>11 suppliers on an Urner Barry model?</p> <p>12 A. That, I don't know.</p> <p>13 Q. They might have; they might not have?</p> <p>14 A. They might have; they might not have.</p> <p>15 Q. When contracts are signed, where do they</p> <p>16 go at General Mills file-wise?</p> <p>17 A. So can you clarify a contract versus</p> <p>18 supply agreement?</p> <p>19 Q. Well, let me ask them separately. Do</p> <p>20 you sign contracts or supply agreements with egg</p> <p>21 product suppliers?</p> <p>22 A. Both.</p>	<p style="text-align: right;">77</p> <p>1 specialist --</p> <p>2 A. The category specialist and the sourcing</p> <p>3 assistant are the same person. I'm sorry. We</p> <p>4 change the titles.</p> <p>5 Q. Sorry. So how many copies exist at</p> <p>6 General Mills?</p> <p>7 A. Well, there's one --</p> <p>8 Q. Okay.</p> <p>9 A. -- for the -- for the buying team, I</p> <p>10 guess, would be probably a better word for it. And</p> <p>11 then one is sent to the supplier. And we can print</p> <p>12 them out at any time.</p> <p>13 Q. But who has it in his or her file at</p> <p>14 General Mills?</p> <p>15 A. The sourcing assistant.</p> <p>16 Q. And that's the buyer, or not?</p> <p>17 A. No.</p> <p>18 Q. That's above the buyer or below the</p> <p>19 buyer?</p> <p>20 A. Below the buyer usually.</p> <p>21 Q. Who was the sourcing assistant when you</p> <p>22 were the buyer?</p>

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21 (Pages 78 to 81)

<p style="text-align: right;">78</p> <p>1 A. Tamara Houston.</p> <p>2 Q. And do you know who preceded her?</p> <p>3 A. I don't.</p> <p>4 Q. Do you know who succeeded her?</p> <p>5 A. No.</p> <p>6 Q. She was the sourcing assistant for the</p> <p>7 entirety of your time as the buyer?</p> <p>8 A. Yes.</p> <p>9 Q. And when sourcing assistants change,</p> <p>10 would the files get passed on?</p> <p>11 A. The files go with, yes. Yes. That was</p> <p>12 very infrequent that that actually happened.</p> <p>13 Buyers rotated frequently. Sourcing assistants did</p> <p>14 not rotate frequently at all.</p> <p>15 Q. Okay. Now, supply agreements are</p> <p>16 something different.</p> <p>17 A. Correct.</p> <p>18 Q. How would you distinguish them from</p> <p>19 contracts?</p> <p>20 A. Supplier agreements are longer term.</p> <p>21 They are essentially more legal in nature. There's</p> <p>22 different kinds of clauses and terminations and</p>	<p style="text-align: right;">80</p> <p>1 contract." That means that we are required to buy</p> <p>2 the target quantity at the price that's listed here</p> <p>3 on the contract.</p> <p>4 Q. And you can do it in whatever increments</p> <p>5 you need to do it in during this, here, four-month</p> <p>6 time period?</p> <p>7 A. During the period of time, correct.</p> <p>8 Q. But as of August 31st 2006, in this</p> <p>9 instance, any of this target quantity that General</p> <p>10 Mills hasn't purchased yet, you're obligated to</p> <p>11 purchase?</p> <p>12 A. Correct.</p> <p>13 Q. The alternative to a quantity contract</p> <p>14 is a time-based contract?</p> <p>15 A. Is a time-based contract.</p> <p>16 Q. How is that different?</p> <p>17 A. So the time periods are -- you know,</p> <p>18 they could be anything essentially. The volumes</p> <p>19 are listed here, which are estimates. I think that</p> <p>20 they actually say "quantity." This box at the top</p> <p>21 says "time contract." And the supplier is under</p> <p>22 the understanding that it is an estimate of our</p>
<p style="text-align: right;">79</p> <p>1 those types of things versus just a contract, a</p> <p>2 sourcing contract.</p> <p>3 Typically when you have a supply</p> <p>4 agreement, it's anything greater than a year or two</p> <p>5 in which we would enter into a supply agreement.</p> <p>6 Usually there's a fixed either pound commitment or</p> <p>7 price commitment that we're signing up for.</p> <p>8 Q. Well, let me go back to Exhibit 4 for a</p> <p>9 minute. That's a contract, as you say?</p> <p>10 A. I call this a contract. This is a</p> <p>11 supply agreement. Exhibit 6 is -- I would call</p> <p>12 that supply agreement. Exhibit 4 is a contract.</p> <p>13 Q. So Exhibit 4 lists quantities?</p> <p>14 A. Correct.</p> <p>15 Q. Target quantities, I believe it says.</p> <p>16 A. Target quantities, yes.</p> <p>17 Q. Is General Mills committed to buying the</p> <p>18 entirety of that quantity?</p> <p>19 A. Yes. So we have two different types of</p> <p>20 contracts. We have a time-based contract and we</p> <p>21 have a quantity contract. And you can see at the</p> <p>22 top there in the little box it says "quantity</p>	<p style="text-align: right;">81</p> <p>1 volumes, not a definitive contract -- not a</p> <p>2 definitive volume.</p> <p>3 So you can have three months to buy a</p> <p>4 million pounds of, you know, whatever. And if you</p> <p>5 get to 950,000 pounds and the time ends, then the</p> <p>6 contract is done.</p> <p>7 Q. And you're not obligated to buy the</p> <p>8 balance?</p> <p>9 A. No.</p> <p>10 Q. Did General Mills enter into both types</p> <p>11 of contracts for eggs and egg products?</p> <p>12 A. I don't know for sure. I think that</p> <p>13 most of them were quantity contracts.</p> <p>14 Q. They may have entered into time</p> <p>15 contracts?</p> <p>16 A. They may have, but I don't think -- I</p> <p>17 doubt it.</p> <p>18 Q. For a time contract, would General</p> <p>19 Mills, toward the end of time period, look to what</p> <p>20 the prospective price was going to be under its</p> <p>21 next contract in determining whether to buy out the</p> <p>22 remaining available quantity or not?</p>

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22 (Pages 82 to 85)

<p style="text-align: right;">82</p> <p>1 A. I suppose we would look at it, but it 2 wouldn't -- that wouldn't really factor into the 3 decision. I guess I don't really understand your 4 question. 5 Q. Say that you've got a product, dry egg 6 whites -- 7 A. Mm-hmm. 8 Q. -- and you're in a time contract. And 9 say the time period ends December 31st. 10 A. Mm-hmm. 11 Q. And we're charging you \$2 a pound. And 12 it's December 29th. 13 A. Right. 14 Q. And you look at -- and it's Urner Barry 15 based. So you look at the Urner Barry quote and 16 you look at what -- you have a decent sense of what 17 the price is that you're going to be negotiating 18 for your contract starting January 1, and you say 19 that price is going to be a lot higher, and we've 20 got 50,000 pounds left in our available quantity. 21 A. Right. 22 Q. We should buy up all of that quantity</p>	<p style="text-align: right;">84</p> <p>1 Mills is paying? 2 A. Sure. Sure. 3 Q. And would the reverse be true if you 4 think that the price coming up under the new 5 contract is going to be a lot lower than what you 6 currently have? 7 A. Yeah. It would be a discussion with a 8 supplier. Yes. 9 Q. So ultimately when you look at these 10 contracts, the price that's listed in these 11 contracts and the price that at the end of the day, 12 at the end of the time period general Mills has 13 ultimately paid, they might not match up exactly? 14 A. Well, no. They would have to match up 15 exactly in order for the supplier to get paid. 16 Q. Well, they're subject to some sort of 17 ongoing negotiation? 18 A. Not in a quantity contract. In a time 19 contract, the only time that you would actually 20 renegotiate anything would be at the end of it, not 21 in the middle of it. 22 Q. So for a time contract, the prices that</p>
<p style="text-align: right;">83</p> <p>1 now under this more favorable price term before we 2 enter into a contract where there's a higher price. 3 A. Right. 4 Q. Is that a line of -- 5 A. That would -- 6 Q. I'm sorry. Let me just finish the 7 question for the reporter's sake. 8 A. Mm-hmm. Sorry. 9 Q. Is that a line of thinking that General 10 Mills would engage in? 11 A. I suppose it's a line of thinking. I 12 think the buyer would actually engage the supplier 13 in a conversation regarding that to say, you know, 14 we have 50,000 left, would you honor that price on 15 this time contract or should we roll everything 16 into the new contract. 17 I mean, it would be a conversation that 18 we would have. If it was that close to the end of 19 a time contract, we would certainly have a 20 conversation with the supplier about that. 21 Q. And so ultimately that set of 22 circumstances might affect the price that General</p>	<p style="text-align: right;">85</p> <p>1 you see here might be subject to some further 2 negotiation; in a quantity contract, they're not? 3 A. Correct. 4 Q. For a quantity contract, then, for all 5 egg purchasing quantity contracts, the target 6 quantity that's listed in these contracts and the 7 price per unit, without exception, General Mills 8 has paid for that entire quantity that exact price? 9 A. I can't say without exception, but 10 theoretically, yes, that would be the way that we 11 would do it. 12 Q. I understand theoretically yes, but in 13 the real world, that's not necessarily true. 14 A. If we have a target quantity and we have 15 a price per unit, that is what we would pay, yes. 16 Q. And I'm asking if that's without 17 exception. 18 A. I can't say without exception, no. 19 Q. If you turn back to -- I believe it's 20 Exhibit 5. And the page ending in 1002. It's the 21 third page of the exhibit. This says at the top 22 that the Rembrandt deal came at the optimal time</p>

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<p style="text-align: right;">86</p> <p>1 for value creation.</p> <p>2 Does this refer back to what we talked</p> <p>3 about earlier, which is that in the 2007 time</p> <p>4 frame, General Mills recognized changes in the</p> <p>5 industry structure?</p> <p>6 A. Yes.</p> <p>7 Q. And that's, in fact, what it says here,</p> <p>8 right? Identified a changing industry structure?</p> <p>9 A. Correct.</p> <p>10 Q. The industry was moving from excess</p> <p>11 capacity to under capacity?</p> <p>12 A. Correct.</p> <p>13 Q. And that was in 2007?</p> <p>14 A. Yeah. Yes.</p> <p>15 Q. And you said General Mills tracked</p> <p>16 things like this.</p> <p>17 A. Yes.</p> <p>18 Q. Industry capacity?</p> <p>19 A. Yes.</p> <p>20 Q. For eggs?</p> <p>21 A. Yes.</p> <p>22 Q. I'll show you what's been marked as</p>	<p style="text-align: right;">88</p> <p>1 group that is at General Mills. So he's basically</p> <p>2 an ag econ -- agricultural economist.</p> <p>3 Q. What is this group's responsibility?</p> <p>4 A. So their main responsibility is to</p> <p>5 analyze data and then develop strategies -- assist</p> <p>6 the buyers to develop strategies, risk management.</p> <p>7 Mostly risk management strategies based on</p> <p>8 commodities that we buy.</p> <p>9 Q. And was Aleks specifically responsible</p> <p>10 for eggs?</p> <p>11 A. Yeah. He had eggs, and I think at the</p> <p>12 time, he also had corn.</p> <p>13 Q. Do you know of anyone else who has had</p> <p>14 responsibility for eggs as an analyst?</p> <p>15 A. Actually, there was only two guys in</p> <p>16 that group when I was buying eggs, and he would</p> <p>17 have been the only one that I know of that was</p> <p>18 responsible for that.</p> <p>19 Q. Why do analysts like Aleks track</p> <p>20 information like the Urner Barry costs?</p> <p>21 A. So that we can be more educated as we</p> <p>22 make our strategy decisions.</p>
<p style="text-align: right;">87</p> <p>1 Exhibit 7.</p> <p>2 (Mercuri Exhibit 7 was marked for</p> <p>3 identification.)</p> <p>4 BY MR. DAVIS:</p> <p>5 Q. Do you recognize this document?</p> <p>6 A. I recognize the e-mail, yes. And this</p> <p>7 just looks like a bunch of Informa data.</p> <p>8 Q. So this is an e-mail that you're sending</p> <p>9 to Binh Tran and Steve Woo?</p> <p>10 A. Yes.</p> <p>11 Q. You say, "This has lots of really great</p> <p>12 data regarding the industry. Aleks" -- A-l-e-k-s?</p> <p>13 A. Aleks.</p> <p>14 Q. -- tracks BE costs monthly and can give</p> <p>15 you any historic info you need." That would be</p> <p>16 breaking an egg?</p> <p>17 A. Yes.</p> <p>18 Q. At the Urner Barry pricing?</p> <p>19 A. Yes.</p> <p>20 Q. Who is Aleks?</p> <p>21 A. Aleks Bekric was our analyst for eggs.</p> <p>22 He's part of the economic insights and strategy</p>	<p style="text-align: right;">89</p> <p>1 Q. Do you know what this Informa Economics</p> <p>2 document is?</p> <p>3 A. Yeah. I've seen things like this</p> <p>4 before. But it's basically an update on eggs.</p> <p>5 Q. What's your understanding of Informa</p> <p>6 Economics, what type of company that is?</p> <p>7 A. I know that we get a lot of data from</p> <p>8 them. I don't really know much else beyond that.</p> <p>9 Q. And do you know when General Mills</p> <p>10 started obtaining this type of data?</p> <p>11 A. Oh. I don't know. It would have been</p> <p>12 long before I got there.</p> <p>13 Q. Years before you got there?</p> <p>14 A. Potentially, yeah.</p> <p>15 Q. Well, you say here that Aleks can give</p> <p>16 you historic info; is that right?</p> <p>17 A. Yeah.</p> <p>18 Q. So had you ever obtained historic</p> <p>19 information from him?</p> <p>20 A. Sure.</p> <p>21 Q. And you went back years?</p> <p>22 A. Sure.</p>

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<p style="text-align: right;">90</p> <p>1 Q. You can put that aside. I'll show you 2 what's been marked as Exhibit 8. 3 (Mercuri Exhibit 8 was marked for 4 identification.) 5 BY MR. DAVIS: 6 Q. Before I ask you about Exhibit 8, I 7 neglected to ask you earlier, when you met with 8 your counsel before this deposition, did you -- 9 strike that. 10 I think you said you met with your 11 counsel in advance of this deposition, correct? 12 A. Yes. 13 Q. When did you meet with them? 14 A. Last week and then yesterday. 15 Q. How long did you meet with them 16 yesterday? 17 A. Half an hour, 45 minutes. 18 Q. Around what time was that? 19 A. 2:00. Wasn't it? 2:00? 2ish. 20 Q. You met with them around 2:00 yesterday? 21 A. Or -- no. Tuesday. Sorry. I don't 22 know. It's been a long week.</p>	<p style="text-align: right;">92</p> <p>1 A. I told him that I was being deposed, 2 because he's my direct manager. 3 Q. Do you know that he gave a deposition in 4 this case? 5 A. I know that he did, yes. 6 Q. Did you talk to him about his 7 deposition? 8 A. No, I did not. 9 Q. Before his deposition? 10 A. No, I did not. 11 Q. After his deposition? 12 A. No. 13 Q. Going back to Exhibit 8 -- is that what 14 it says? 15 A. Yes. 16 Q. What is this document? 17 A. You know, I was trying to figure that 18 out. I really don't know. It looks like it was 19 something that Scott and I did maybe as a training 20 to new buyers, Sourcing 101, or maybe to a 21 cross-functional group. I'm not exactly sure. It 22 looks something like a training type of document.</p>
<p style="text-align: right;">91</p> <p>1 Q. I was with them at 2:00 yesterday. 2 A. I was here. Didn't you see me? 3 Tuesday. I apologize. 4 Q. For about a half hour? 5 A. For about a half an hour. 6 Q. And how about the week before? 7 A. Would have been Friday. Last Friday. 8 Q. For how long? 9 A. About an hour and a half. 10 Q. Did you go over documents? 11 A. A few, but not a lot, no. 12 Q. And have you spoken with anyone else at 13 General Mills about your deposition here today? 14 A. No. 15 Q. Have you spoken with anyone at General 16 Mills about this litigation? 17 A. No. 18 Q. Have you spoken with -- well, you know 19 who Binh Tran is? 20 A. Yes. 21 Q. Have you spoken with him about this 22 litigation?</p>	<p style="text-align: right;">93</p> <p>1 Q. If you look on the front page, it refers 2 to you as a sourcing manager for fruits and nuts. 3 A. Right. So that would have been after I 4 left the eggs desk. So it had to have been after 5 April of 2008, because I had already left the desk 6 by that point. 7 Q. You can correct me if I'm wrong, but I 8 had written down that at that point, you were 9 sourcing manager for functional ingredients. 10 A. Yeah. So there was some -- yeah. Okay. 11 So when I left the eggs desk in April of 2008, I 12 went to the value added ingredients team and bought 13 fruits and nuts for two years, and then I was in 14 the same group and moved to functional ingredients. 15 Q. Okay. 16 A. So sorry for that mis- -- 17 Q. It's okay. 18 A. I think the whole timeline thing is a 19 little goofy, it sounds like, so -- the point being 20 that this is after I had moved off of the eggs desk 21 and out of the commodities group. 22 Q. Okay. So let's turn to page 4 of this</p>

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<p style="text-align: right;">94</p> <p>1 document.</p> <p>2 MR. CAMPBELL: What's the Bates number?</p> <p>3 MR. DAVIS: It ends in 1000.</p> <p>4 BY MR. DAVIS:</p> <p>5 Q. This says "Egg Strategy: Adapting to a</p> <p>6 new environment" at the top.</p> <p>7 A. Mm-hmm.</p> <p>8 Q. And I'm guessing based on your prior</p> <p>9 experience, is this something that you added to</p> <p>10 this presentation?</p> <p>11 A. Yeah. Either Scott or I did, yes.</p> <p>12 Q. And this shows what we talked about</p> <p>13 earlier, that GMI shifted to a cost-plus model --</p> <p>14 A. Correct.</p> <p>15 Q. -- based on the structural changes in</p> <p>16 the industry, right?</p> <p>17 A. Correct.</p> <p>18 Q. And when you say "structural changes in</p> <p>19 the industry," what is it that you're referring to?</p> <p>20 A. So, again, it's the supplier -- the</p> <p>21 suppliers -- or growth in the industry was slowing</p> <p>22 down. So it had been very rapid up until the point</p>	<p style="text-align: right;">96</p> <p>1 Q. I was just trying to parse them out.</p> <p>2 A. Yeah.</p> <p>3 Q. So starting domestically, with an</p> <p>4 increase in domestic demand for animal protein,</p> <p>5 that would increase the demand for eggs and affect</p> <p>6 the price just based on your supply demand curves?</p> <p>7 A. Sure. Yeah.</p> <p>8 Q. From a global setting, an increased</p> <p>9 demand for eggs might be a reason why egg producers</p> <p>10 would export eggs?</p> <p>11 A. Might be.</p> <p>12 Q. And that would affect supply demand from</p> <p>13 a reduction in supply?</p> <p>14 A. Yeah.</p> <p>15 Q. So the increased demand globally for</p> <p>16 eggs would affect the price for eggs domestically</p> <p>17 both on the supply and on the demand end?</p> <p>18 A. Yes.</p> <p>19 Q. Now, if you would turn to the next page</p> <p>20 of this document.</p> <p>21 A. Mm-hmm.</p> <p>22 Q. It says, "Eggs: Where is our</p>
<p style="text-align: right;">95</p> <p>1 of, you know, 2006 or '7. Investments were</p> <p>2 going -- started to go elsewhere instead of in the</p> <p>3 egg industry. They weren't investing anymore.</p> <p>4 Q. Who's "they"?</p> <p>5 A. The suppliers. The industry. There was</p> <p>6 a lot of demand for animal protein. That was</p> <p>7 another factor. And, you know, we anticipated that</p> <p>8 if the industry was starting to slow down, you</p> <p>9 know, that we would see some different -- more</p> <p>10 volatile pricing, and we wanted to do something</p> <p>11 about it.</p> <p>12 Q. What do you mean when you say there was</p> <p>13 increased demand for animal protein?</p> <p>14 A. There was -- globally there was</p> <p>15 increased demand for eggs and meat, and as emerging</p> <p>16 markets were starting to come on, people were</p> <p>17 wealthier or had more money and they were</p> <p>18 demanding, or buying, meat or eggs.</p> <p>19 Q. So domestically there was increased</p> <p>20 demand for animal protein, and that just increases</p> <p>21 the demand for eggs?</p> <p>22 A. It was more of a global --</p>	<p style="text-align: right;">97</p> <p>1 influence?" What does that mean?</p> <p>2 A. So basically that means where can we</p> <p>3 negotiate. You know, what is -- where would</p> <p>4 sourcing have an influence in the price of that</p> <p>5 final product to General Mills.</p> <p>6 Q. And below, there's two different pie</p> <p>7 graphs. One says "cost of a shell egg," the other</p> <p>8 says "cost of a pound of dried egg."</p> <p>9 A. Mm-hmm.</p> <p>10 Q. Cost to whom? To the producers?</p> <p>11 A. In the case of the shell egg, it would</p> <p>12 appear that that's the producer. In the case of a</p> <p>13 dried egg, it would appear that that's the cost</p> <p>14 to -- well, to us, yeah, to General Mills.</p> <p>15 Q. And that's because of the dryer margin</p> <p>16 component?</p> <p>17 A. Well -- can you restate the question?</p> <p>18 Q. Sure. I'll just ask it more broadly.</p> <p>19 How do these two pie charts answer the question</p> <p>20 posed above as to where General Mills' influence</p> <p>21 lies?</p> <p>22 A. Yeah. So I would say that in the case</p>

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<p style="text-align: right;">98</p> <p>1 of the shell egg, you know, we -- based on the</p> <p>2 model that we were moving to, we felt like we could</p> <p>3 control almost 60 percent of the cost of the shell</p> <p>4 egg, which would be coming from our vertically</p> <p>5 integrated supplier.</p> <p>6 And in the case over here, you know, the</p> <p>7 conversion cost was something that we could</p> <p>8 negotiate, the dryer margin was something that we</p> <p>9 negotiated in the supply agreement with Rembrandt.</p> <p>10 So, you know, what we're trying to</p> <p>11 illustrate here is that, you know, a lot of the</p> <p>12 stuff we can't control. You know, the pullet, the</p> <p>13 depreciation, you know, all of those things we</p> <p>14 can't control and you can't really negotiate. But</p> <p>15 in the case of the feed, we had control over that</p> <p>16 and we felt like we had some pretty good practices</p> <p>17 internally at General Mills where we could actually</p> <p>18 have an influence over that price.</p> <p>19 Q. And then the cost of purchasing dried</p> <p>20 eggs were further subject to negotiation in the way</p> <p>21 that cost of purchasing shell eggs are not?</p> <p>22 A. Right. I mean, the piece here -- I</p>	<p style="text-align: right;">100</p> <p>1 A. Yes. Sorry. Yes.</p> <p>2 Q. And how about product quality?</p> <p>3 Obviously that's --</p> <p>4 A. Yes. Product quality is very important</p> <p>5 to us.</p> <p>6 Q. And when you are approaching a new</p> <p>7 supplier about a potential supply agreement, the</p> <p>8 product quality, the product specifications are</p> <p>9 obviously a topic of discussion. Fair to say?</p> <p>10 A. Yes. That's correct.</p> <p>11 Q. Would you sort of lead off by showing</p> <p>12 this potential supplier product specifications?</p> <p>13 A. Yes.</p> <p>14 Q. This is for egg products?</p> <p>15 A. For egg products, correct.</p> <p>16 Q. Okay.</p> <p>17 A. Yes. We have specifications for all of</p> <p>18 our purchased items.</p> <p>19 Q. And you would say, can you meet these?</p> <p>20 A. Yeah. That would be part of the</p> <p>21 discussion, yeah.</p> <p>22 Q. And has anyone ever said, no, we can't</p>
<p style="text-align: right;">99</p> <p>1 mean, the liquid egg cost would be -- I mean, you</p> <p>2 would take this little piece of the pie and say,</p> <p>3 this is what this is. So if you save that 22</p> <p>4 percent of the liquid egg cost, you know, we have</p> <p>5 influence over 60 percent of that essentially.</p> <p>6 So --</p> <p>7 Q. So the way that a purchaser negotiates</p> <p>8 the price of a dried egg or pounds of dried eggs is</p> <p>9 different -- or a purchaser might have more</p> <p>10 leverage there than they would negotiating the cost</p> <p>11 of shell eggs?</p> <p>12 A. Not necessarily. But if you had a bias</p> <p>13 on the feed inputs and you knew more about it and</p> <p>14 you could use that as part of your negotiation,</p> <p>15 then yes. If you didn't, then no.</p> <p>16 Q. Okay. So when General Mills purchases</p> <p>17 egg products, what are -- let's talk about what the</p> <p>18 considerations are, I guess. Obviously price is</p> <p>19 one of the considerations. But there's more than</p> <p>20 that, right?</p> <p>21 A. Mm-hmm.</p> <p>22 Q. Yes?</p>	<p style="text-align: right;">101</p> <p>1 do this?</p> <p>2 A. I'm sure they have. I mean, in the</p> <p>3 conversations that I've had with egg suppliers, you</p> <p>4 know, I've showed them the documents, the specs,</p> <p>5 specifications. And in most cases, they can meet</p> <p>6 them. I think with -- you know, eggs are a little</p> <p>7 sensitive in terms of fat and pH and that type of</p> <p>8 thing.</p> <p>9 So a lot of it is can you meet it, yes,</p> <p>10 we can meet it based on our capabilities, and then</p> <p>11 doing final testing upon, you know, arrival</p> <p>12 essentially or doing product testing with our R&D</p> <p>13 team to see if they actually work in our products.</p> <p>14 Because they're very functional in our products.</p> <p>15 Q. And General Mills has a separate team</p> <p>16 that's responsible for testing the products?</p> <p>17 A. Correct.</p> <p>18 Q. And making sure that they meet certain</p> <p>19 quality standards?</p> <p>20 A. Right. So we have a QRO, which stands</p> <p>21 for quality, regulatory and operations, team that</p> <p>22 has an ingredient manager for every category that</p>

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<p style="text-align: right;">102</p> <p>1 we purchase. So there was an egg ingredient</p> <p>2 manager who was responsible for qualifying the</p> <p>3 suppliers and, you know, working with them and R&D</p> <p>4 to determine if the product meets the</p> <p>5 specification.</p> <p>6 Q. Who is that person?</p> <p>7 A. Good question. Rita Hosie was on eggs,</p> <p>8 I believe, when I was buying them.</p> <p>9 Q. Are there objective criteria that they</p> <p>10 look at in assessing the quality of the product?</p> <p>11 A. Yeah. So, for example, fat content, pH,</p> <p>12 you know, I would have to look at a specification</p> <p>13 to see what other objective standards are on there,</p> <p>14 but, I mean, those are two of them that are really</p> <p>15 important. Color, you know, is one of them.</p> <p>16 Q. How does General Mills consider an egg</p> <p>17 product supplier's -- I'll call it reliability? Is</p> <p>18 that a factor that's considered?</p> <p>19 A. Yeah. Sure. So service. Is that what</p> <p>20 you're asking?</p> <p>21 Q. Yeah. Or we ordered this much and we</p> <p>22 know we're going to get what we ordered in a week.</p>	<p style="text-align: right;">104</p> <p>1 purchasers of egg products, would you consider</p> <p>2 General Mills to be toward the larger end of the</p> <p>3 spectrum in terms of the quantities it is</p> <p>4 purchasing?</p> <p>5 A. You know, I don't know. I would assume</p> <p>6 that we are fairly large, but, you know, a lot of</p> <p>7 things have changed since I was on the desk, so</p> <p>8 that could look totally different now.</p> <p>9 Q. General Mills purchases a good amount of</p> <p>10 egg products, right?</p> <p>11 A. Sure. Yeah.</p> <p>12 Q. And a small farm could not meet General</p> <p>13 Mills' demand for egg products, right?</p> <p>14 A. A small farm that has no drying</p> <p>15 capabilities or -- I don't understand the question.</p> <p>16 Q. If a farmer has got 150 hens --</p> <p>17 A. Yes.</p> <p>18 Q. -- laying eggs and a dryer --</p> <p>19 A. And a dryer.</p> <p>20 Q. -- can he meet General Mills' demand for</p> <p>21 egg product?</p> <p>22 A. Probably not.</p>
<p style="text-align: right;">103</p> <p>1 A. Yeah. That's also a very important</p> <p>2 piece, and that's one of the responsibilities of</p> <p>3 the buyer to make sure that the suppliers are, you</p> <p>4 know, aware of what our expectations are. And that</p> <p>5 if they have issues supplying on time or in the</p> <p>6 right amount or whatever, that those are being</p> <p>7 addressed immediately.</p> <p>8 Q. The scale of a supplier would be an</p> <p>9 important factor in that regard?</p> <p>10 A. In what way?</p> <p>11 Q. Well, a supplier would have to be big</p> <p>12 enough to essentially work with General Mills and</p> <p>13 do so reliably?</p> <p>14 A. Yes. But we also work with really small</p> <p>15 suppliers that can meet our demand and expectations</p> <p>16 as well. So size of a supplier doesn't necessarily</p> <p>17 have that big of an impact on what our expectations</p> <p>18 would be.</p> <p>19 Q. Are there suppliers that are too small</p> <p>20 to meet your demand for egg products?</p> <p>21 A. Well, sure. I'm sure there are.</p> <p>22 Q. Would you -- among the nation's</p>	<p style="text-align: right;">105</p> <p>1 Q. How about 250 hens?</p> <p>2 A. Probably not.</p> <p>3 Q. Probably not?</p> <p>4 A. Right.</p> <p>5 Q. You have to have --</p> <p>6 A. Yeah. You'd have to have a sizeable</p> <p>7 business to meet the demands of us, yes.</p> <p>8 Q. So General Mills is only going to work</p> <p>9 with egg product suppliers that are of sufficient</p> <p>10 size to meet its demand?</p> <p>11 A. Sure. Yes.</p> <p>12 Q. Are there other -- so I'm just trying to</p> <p>13 understand how -- well -- strike that.</p> <p>14 Are there other qualitative, I guess,</p> <p>15 factors that General Mills considers when</p> <p>16 purchasing its egg products?</p> <p>17 A. Other than it meets the spec, price,</p> <p>18 location?</p> <p>19 Q. Reliability of supplier?</p> <p>20 A. Reliability -- yeah. On-time service,</p> <p>21 quality, metrics, yes.</p> <p>22 Q. And those metrics are pH and color</p>

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<p style="text-align: right;">106</p> <p>1 and --</p> <p>2 A. Yeah. Fat content. Mm-hmm.</p> <p>3 Q. So those are all things that might</p> <p>4 differentiate one egg product -- an egg product</p> <p>5 coming from one supplier from the same theoretical</p> <p>6 egg product coming from another supplier?</p> <p>7 A. Yes.</p> <p>8 Q. They have a different pH content or a</p> <p>9 different fat content?</p> <p>10 A. If they are supplying the same specs,</p> <p>11 the fat content and the pH has to be the same. If</p> <p>12 they're meeting that specification and we're buying</p> <p>13 it from two suppliers, they have to meet the same</p> <p>14 specification.</p> <p>15 Q. And they might be able to; they might</p> <p>16 not?</p> <p>17 A. Right.</p> <p>18 Q. Any other non-price factors you can</p> <p>19 think of that were considered?</p> <p>20 A. Not off the top of my head.</p> <p>21 Q. Did you receive any communications from</p> <p>22 egg product suppliers who were seeking to do</p>	<p style="text-align: right;">108</p> <p>1 A. Yeah. I did not contact them, no.</p> <p>2 Q. And then you went ahead and met with</p> <p>3 them?</p> <p>4 A. I did.</p> <p>5 Q. And ultimately did not agree to purchase</p> <p>6 egg products from them?</p> <p>7 A. Correct.</p> <p>8 Q. Do you recall why that was?</p> <p>9 A. I don't.</p> <p>10 Q. Do you recall anything about that</p> <p>11 conversation at all?</p> <p>12 A. I don't.</p> <p>13 Q. Do you know who from Sparboe you met</p> <p>14 with?</p> <p>15 A. I don't recall their names, but there</p> <p>16 was a document that I saw that had some names on</p> <p>17 it. But I don't remember any of the people.</p> <p>18 Q. How many people were there?</p> <p>19 A. Three, four maybe.</p> <p>20 Q. Just one meeting?</p> <p>21 A. Yeah.</p> <p>22 Q. Were price terms discussed at that</p>
<p style="text-align: right;">107</p> <p>1 business with General Mills?</p> <p>2 A. Communications meaning what exactly?</p> <p>3 Q. Phone calls, e-mails, just attempts to</p> <p>4 reach out to you.</p> <p>5 A. Yeah.</p> <p>6 Q. Mm-hmm. What suppliers were those?</p> <p>7 A. I'm trying to recall. I know that</p> <p>8 Sparboe reached out. I don't really know of anyone</p> <p>9 else.</p> <p>10 Q. Sparboe reached out during your time as</p> <p>11 buyer?</p> <p>12 A. Correct.</p> <p>13 Q. How did that discussion play out?</p> <p>14 A. You know, I was trying to recall that,</p> <p>15 and I know that I met with them, but I don't recall</p> <p>16 the content of the discussion.</p> <p>17 Q. They sought you out in an attempt to try</p> <p>18 to supply General Mills with egg product?</p> <p>19 A. I don't remember. I would assume that's</p> <p>20 why they contacted me, yeah.</p> <p>21 Q. Well, they reached out to you as opposed</p> <p>22 to you reached out to them?</p>	<p style="text-align: right;">109</p> <p>1 meeting?</p> <p>2 A. No. Not that I recall, no.</p> <p>3 Q. So it was just an introductory-level</p> <p>4 meeting?</p> <p>5 A. Yeah.</p> <p>6 Q. And who would you have discussed -- were</p> <p>7 you the only one from General Mills at that</p> <p>8 meeting?</p> <p>9 A. I don't remember. I mean, I honestly</p> <p>10 don't remember the meeting at all, I mean, so --</p> <p>11 Q. So you remember that it exists?</p> <p>12 A. I remember that it exists. I</p> <p>13 remember -- because actually when I saw the e-mail,</p> <p>14 it triggered my memory that I did meet with them,</p> <p>15 but I don't recall any of the discussions that we</p> <p>16 had in it. I mean, it was probably more of an</p> <p>17 introductory meeting.</p> <p>18 MR. DAVIS: Why don't we go off the</p> <p>19 record for a minute.</p> <p>20 THE VIDEOGRAPHER: We're going off the</p> <p>21 record about 10:20 a.m.</p> <p>22 (Whereupon, a recess was taken from</p>

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<p style="text-align: right;">110</p> <p>1 10:20 a.m to 10:38 a.m.)</p> <p>2 THE VIDEOGRAPHER: We're back on the</p> <p>3 record about 10:39 a.m.</p> <p>4 BY MR. DAVIS:</p> <p>5 Q. Ms. Mercuri, we discussed earlier -- I</p> <p>6 believe you said you were not a part of any</p> <p>7 discussions related to animal welfare for</p> <p>8 egg-laying hens; is that right?</p> <p>9 A. Correct. That's correct.</p> <p>10 Q. Have you become aware at any point</p> <p>11 during your tenure at General Mills of discussions</p> <p>12 regarding animal welfare for egg-laying hens?</p> <p>13 A. In what regard?</p> <p>14 Q. Are you aware of any discussions?</p> <p>15 A. Am I aware of it? Yes, I'm aware of it.</p> <p>16 Q. What is it that you're aware of?</p> <p>17 A. I'm aware that we have committed to a</p> <p>18 sustainability commitment for animal welfare. I</p> <p>19 don't know exactly what the terminology is for</p> <p>20 that. But we came out with that commitment in the</p> <p>21 fall of 2010. Or -- no. The fall of 2013.</p> <p>22 Q. For hens specifically?</p>	<p style="text-align: right;">112</p> <p>1 Q. Yes.</p> <p>2 A. No.</p> <p>3 Q. So during your time as the buyer for</p> <p>4 eggs, there was -- there were no animal welfare</p> <p>5 requirements imposed on suppliers; is that right?</p> <p>6 A. That is correct.</p> <p>7 Q. Did you think there should have been?</p> <p>8 A. I didn't really have an opinion.</p> <p>9 Q. You had absolutely no opinion on it one</p> <p>10 way or the other?</p> <p>11 A. Not really.</p> <p>12 Q. Do you have an opinion now?</p> <p>13 A. Not really.</p> <p>14 Q. It's of no consequence to you?</p> <p>15 A. As a buyer or as a consumer?</p> <p>16 Q. Both.</p> <p>17 A. As a consumer, yes. As a buyer, not</p> <p>18 really.</p> <p>19 Q. All right. So why is it of no</p> <p>20 consequence to you as a buyer?</p> <p>21 A. It just isn't. I mean, I don't really</p> <p>22 have an opinion.</p>
<p style="text-align: right;">111</p> <p>1 A. It's -- I don't know exactly what it is.</p> <p>2 It's for animals.</p> <p>3 Q. Okay.</p> <p>4 A. So it's part of our 10 by 20</p> <p>5 sustainability commitment. And I think it's animal</p> <p>6 welfare, so it would be animals that we -- either</p> <p>7 hens or eggs or meats or poultry or whatever we buy</p> <p>8 that are animal based.</p> <p>9 Q. Are you aware of any specifics as to the</p> <p>10 policy -- the animal welfare policy as far as hens</p> <p>11 are concerned?</p> <p>12 A. No.</p> <p>13 Q. Were you a part of any discussions</p> <p>14 related to that animal welfare policy?</p> <p>15 A. No, I was not.</p> <p>16 Q. Did you ever raise the specter of animal</p> <p>17 welfare during your time as the buyer for eggs?</p> <p>18 A. No.</p> <p>19 Q. Have you ever raised that as an issue</p> <p>20 during your tenure as a buyer for anything at</p> <p>21 General Mills?</p> <p>22 A. For animal welfare?</p>	<p style="text-align: right;">113</p> <p>1 Q. You don't think it's relevant to the</p> <p>2 decisions that a buyer would make?</p> <p>3 A. I think it is, but I'm not on that desk</p> <p>4 anymore, so I really don't know all of the facts</p> <p>5 and all of the details behind why it would be</p> <p>6 important.</p> <p>7 I would think that the buyer should have</p> <p>8 some level of knowledge of it. But in terms of,</p> <p>9 you know, is it relevant to being a buyer, I mean,</p> <p>10 yes, but to have an opinion on it, no.</p> <p>11 Q. So it's relevant to being a buyer, but a</p> <p>12 buyer doesn't need to have an opinion on it?</p> <p>13 A. Right.</p> <p>14 Q. That's your view?</p> <p>15 A. Yeah. I mean, I guess I'm trying to</p> <p>16 understand, what are you asking?</p> <p>17 Q. I'm asking whether or not you think</p> <p>18 animal welfare requirements for egg product</p> <p>19 suppliers are something that should be considered</p> <p>20 by a buyer of egg products.</p> <p>21 MR. CAMPBELL: Objection as to time</p> <p>22 frame. Could you tell about a time frame here.</p>

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<p style="text-align: right;">114</p> <p>1 MR. DAVIS: At any point in time.</p> <p>2 A. Yes.</p> <p>3 BY MR. DAVIS:</p> <p>4 Q. Okay. And was that true when you were</p> <p>5 the buyer for egg products? You thought that</p> <p>6 animal welfare requirements were something that you</p> <p>7 should consider?</p> <p>8 A. It was a consideration at the time that</p> <p>9 I was the buyer, but it was not the -- it wasn't a</p> <p>10 main factor.</p> <p>11 Q. It was a consideration?</p> <p>12 A. It was discussed and we were looking at</p> <p>13 into it as a company. We knew it was out there.</p> <p>14 But it wasn't something that we were requiring of</p> <p>15 our suppliers at the time.</p> <p>16 Q. So it was discussed, and ultimately the</p> <p>17 decision was made that animal welfare requirements</p> <p>18 for egg-laying hens should not be required of egg</p> <p>19 product suppliers?</p> <p>20 A. We were evaluating it at the time I was</p> <p>21 on the desk, and I don't know that we ever came to</p> <p>22 a full decision on what that should look like.</p>	<p style="text-align: right;">116</p> <p>1 A. Not many.</p> <p>2 Q. A few?</p> <p>3 A. A few.</p> <p>4 Q. And during these discussions, you guys</p> <p>5 got together, you said let's pose the question of</p> <p>6 whether or not General Mills should impose animal</p> <p>7 welfare requirements on egg product suppliers. And</p> <p>8 nobody ever voiced an opinion as to what the answer</p> <p>9 to that question should be?</p> <p>10 A. With the sourcing group, it wasn't so</p> <p>11 much about whether we had an opinion or not. It</p> <p>12 was about what are we -- how are we -- what are we</p> <p>13 doing with our suppliers and are the suppliers</p> <p>14 required to meet anything, and they weren't.</p> <p>15 Q. But that's a one-sentence conversation,</p> <p>16 right, are the suppliers required to meet any</p> <p>17 animal welfare requirements? No, they're not.</p> <p>18 A. Right. So -- and whether they had</p> <p>19 conversations with -- you know, at the time, we</p> <p>20 didn't really have -- I mean, that I was aware of,</p> <p>21 have a sustainability team like we do now.</p> <p>22 Q. Right.</p>
<p style="text-align: right;">115</p> <p>1 Q. But no requirements were actually</p> <p>2 imposed?</p> <p>3 A. No.</p> <p>4 Q. And did you have an opinion one way or</p> <p>5 the other on whether requirements should be</p> <p>6 imposed?</p> <p>7 A. No.</p> <p>8 Q. Did anyone voice an opinion on that that</p> <p>9 you were privy to?</p> <p>10 A. No.</p> <p>11 Q. So you had this discussion. Who was</p> <p>12 part of that discussion?</p> <p>13 A. My manager, Scott. His manager.</p> <p>14 Q. Which is who?</p> <p>15 A. Kevin Shriver.</p> <p>16 Q. Kevin Shriver?</p> <p>17 A. Yeah.</p> <p>18 Q. What was his role?</p> <p>19 A. He was the director of sourcing -- or</p> <p>20 director of commodity sourcing.</p> <p>21 Q. And how many discussions would you say</p> <p>22 you had with Scott and Kevin?</p>	<p style="text-align: right;">117</p> <p>1 A. So if those conversations were</p> <p>2 happening, I was not part of those.</p> <p>3 Q. But I'm asking about the conversations</p> <p>4 you were a part of, which were --</p> <p>5 A. Yeah. It was more about do we have any</p> <p>6 requirements, no. Do we need to be thinking about</p> <p>7 that. You know, it's something that we are</p> <p>8 consideration, gathering more information on,</p> <p>9 hadn't made a decision at that point.</p> <p>10 Q. Do these conversations take more than 30</p> <p>11 seconds?</p> <p>12 A. Not really.</p> <p>13 Q. It was we should look into this? That's</p> <p>14 it?</p> <p>15 A. Yes.</p> <p>16 Q. And you're not aware of anyone voicing</p> <p>17 an opinion?</p> <p>18 A. In sourcing? No.</p> <p>19 Q. Elsewhere?</p> <p>20 A. Not that I'm aware of.</p> <p>21 Q. So you're not aware of anyone at General</p> <p>22 Mills voicing any opinion at any point in time on</p>

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<p style="text-align: right;">118</p> <p>1 whether or not there should be animal welfare 2 requirements imposed on egg product suppliers? 3 A. Not that I'm aware of. 4 Q. And you have no opinion on that one way 5 or the other as a buyer? 6 A. No. 7 Q. As a consumer, do you have an opinion on 8 that? 9 A. As a consumer, I -- yeah. I mean, I 10 think that it's -- yeah. Yeah. 11 Q. What is your opinion on that as a 12 consumer? 13 A. From an animal -- specifically about 14 eggs? 15 Q. Yeah. 16 A. I mean, I think the -- see, I know more 17 about eggs than the average consumer does. So the 18 fact that animal welfare plays into all of the 19 stuff that's going on in the news and that is -- I 20 mean, I know -- I've been to egg suppliers, so I 21 know more about that than the average consumer. 22 So --</p>	<p style="text-align: right;">120</p> <p>1 A. As a consumer, yes. 2 Q. Did you have that opinion when you were 3 the buyer for eggs? 4 A. I don't recall, really. 5 Q. And have you served as the buyer for any 6 other animal products? 7 A. No. 8 Q. Have you ever voiced that opinion to 9 anyone at General Mills? 10 A. No. 11 Q. You said you've been to egg farms as the 12 buyer for eggs. 13 A. Mm-hmm. Yeah. Mm-hmm. 14 Q. Were there discussions about cage space 15 that was afforded to hens? 16 A. Well, we went into a hen house that was 17 not in use and we saw the cages. And, I mean, we 18 probably talked about it. I don't recall exactly 19 what that conversation was, though. 20 Q. Do you have any views on whether battery 21 cages for hens are humane? 22 A. No.</p>
<p style="text-align: right;">119</p> <p>1 Q. I understand that. 2 A. I mean, I think it's an important factor 3 to think about as a consumer. Specifically about 4 eggs, it's not as big of a deal as it would be in 5 something else related to animal welfare. 6 Q. Like what? 7 A. Like stuff that -- slaughterhouses and 8 that type of stuff. So meat. 9 Q. You think that meat is more important? 10 A. It's different. 11 Q. I think "important" was your word. So I 12 can -- you can -- 13 A. Sure. 14 Q. I'm asking. Is -- 15 A. It's different. I mean, the fact that a 16 hen lays an egg and still gets to live is different 17 than a cow giving up its life to be eaten, in my 18 opinion. 19 Q. All right. So you think that animal 20 welfare requirements for egg-laying hens are less 21 important than animal welfare requirements for 22 cows?</p>	<p style="text-align: right;">121</p> <p>1 Q. You have no views one way or the other? 2 A. No. 3 Q. Correct? 4 A. Correct. No. 5 Q. And do you have any views as to how much 6 space within a cage a hen needs in order to be 7 treated humanely? 8 A. I have no idea. 9 MR. DAVIS: I believe that's all of the 10 questions that I have for you. Mr. Schwinger is 11 going to have some questions as well. 12 THE WITNESS: Okay. 13 EXAMINATION BY COUNSEL FOR MICHAEL FOODS 14 BY MR. SCHWINGER: 15 Q. Good morning. My name is Peter 16 Schwinger. I represent defendant Michael Foods in 17 this case. If you could turn back to Exhibit 4. 18 A. Okay. What is it? 19 Q. Exhibit 4 is the 2006 contract with 20 Michael Foods. 21 A. Okay. 22 Q. Date on this contract is May 1st 2006 to</p>

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<p style="text-align: right;">122</p> <p>1 August 31st 2006, correct?</p> <p>2 A. Correct.</p> <p>3 Q. And you weren't the buyer for eggs at</p> <p>4 General Mills at that time?</p> <p>5 A. No.</p> <p>6 Q. But is this contract representative of</p> <p>7 the types of contracts you would have entered into</p> <p>8 with Michael Foods?</p> <p>9 A. Yes.</p> <p>10 Q. And this contract, as an example, has a</p> <p>11 fixed price for the term of the contract, correct?</p> <p>12 A. Correct.</p> <p>13 Q. Which means that General Mills was</p> <p>14 committing to buy certain quantity of the listed</p> <p>15 products during that time, correct?</p> <p>16 A. Correct.</p> <p>17 Q. And General Mills would pay the same</p> <p>18 price for those products during that period of</p> <p>19 time?</p> <p>20 A. Correct.</p> <p>21 Q. And if the Urner Barry price for</p> <p>22 breaking stock went up during that time, General</p>	<p style="text-align: right;">124</p> <p>1 yolk, free-flowing enzyme modified kosher product.</p> <p>2 That's what that all stands for.</p> <p>3 Q. What does "free-flowing" mean?</p> <p>4 A. I don't know.</p> <p>5 Q. What does "kosher" mean?</p> <p>6 A. Kosher is -- kosher.</p> <p>7 Q. General Mills sells kosher products to</p> <p>8 its customers?</p> <p>9 A. Yes. And this was probably going into a</p> <p>10 line that was kosher.</p> <p>11 Q. What does "enzyme-modified" mean?</p> <p>12 A. I don't know.</p> <p>13 Q. When you were the buyer for eggs for</p> <p>14 General Mills, did you purchase enzyme-modified egg</p> <p>15 products from Michael Foods?</p> <p>16 A. Yes.</p> <p>17 Q. But you're not familiar with what the</p> <p>18 term "enzyme-modified" means?</p> <p>19 A. I don't really know.</p> <p>20 Q. Are you familiar with why General Mills</p> <p>21 purchased enzyme-modified egg products from Michael</p> <p>22 Foods?</p>
<p style="text-align: right;">123</p> <p>1 Mills would still pay the same contract price,</p> <p>2 correct?</p> <p>3 A. Correct.</p> <p>4 Q. And if the Urner Barry price for</p> <p>5 breaking stock went down during that time, General</p> <p>6 Mills would still pay the same price for these</p> <p>7 products, correct?</p> <p>8 A. Correct.</p> <p>9 Q. So at least for the term of the</p> <p>10 contract, the changes in an Urner Barry price had</p> <p>11 no impact on the prices General Mills paid for</p> <p>12 these products; is that fair?</p> <p>13 A. That's correct.</p> <p>14 Q. Turn your attention to the last product</p> <p>15 listed. And if you look at -- it says 00050 and</p> <p>16 then there's some other numbers and then it says</p> <p>17 "egg yolk DR free FLW ENZ MOD."</p> <p>18 A. Mm-hmm.</p> <p>19 Q. Are you familiar with that product?</p> <p>20 A. Yeah, I've heard of it.</p> <p>21 Q. What is that?</p> <p>22 A. It's a -- I believe that it's a liquid</p>	<p style="text-align: right;">125</p> <p>1 A. No, I am not.</p> <p>2 Q. Are you familiar with whether General</p> <p>3 Mills' R&D personnel ever met with Michael Foods'</p> <p>4 R&D personnel to discuss enzyme-modified egg</p> <p>5 products?</p> <p>6 A. Am I aware of a meeting? Is that your</p> <p>7 question?</p> <p>8 Q. To your knowledge, did General Mills and</p> <p>9 Michael Foods collaborate to develop an</p> <p>10 enzyme-modified egg product for General Mills?</p> <p>11 A. I don't know.</p> <p>12 Q. So you're not aware of whether this</p> <p>13 particular product was custom made for General</p> <p>14 Mills?</p> <p>15 A. I'm not aware.</p> <p>16 Q. I note on here that there appear to be</p> <p>17 both egg whites and egg yolks that General Mills</p> <p>18 purchased?</p> <p>19 A. Correct.</p> <p>20 Q. Did you track differences in market</p> <p>21 prices for whites versus yolks during your time as</p> <p>22 the buyer for General Mills?</p>

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<p style="text-align: right;">126</p> <p>1 A. Aleks, the economic insight guy, tracked 2 that for us, yes. 3 Q. Just based on this contract, it appears 4 that General Mills is purchasing a significantly 5 larger quantity of whites than yolks; is that fair? 6 A. It appears to be the case in this, yes. 7 Q. Overall, is that the case for General 8 Mills? Is it true that General Mills -- strike 9 that. 10 Does General Mills purchase larger 11 quantities of whites than yolks as a general 12 matter? 13 A. I believe that when I was on the desk, 14 wholes and yolks were a greater percentage of our 15 buy than the whites, yeah. 16 Q. To your knowledge, does the feed-based 17 pricing arrangement with Rembrandt encompass whole 18 eggs? 19 A. I believe it does, yes. 20 Q. Does the encompass egg yolks? 21 A. Dried, yes. 22 Q. And does it encompass egg whites?</p>	<p style="text-align: right;">128</p> <p>1 Q. So Rembrandt was the first supplier you 2 spoke to about feed-based prices? 3 A. Yes. 4 Q. So you would agree that you have no 5 personal knowledge other than what you've heard 6 from other people about these conversations with 7 other suppliers? 8 A. That's correct. 9 Q. And you have no personal knowledge of 10 any conversations with Michael Foods about 11 feed-based pricing before your time? 12 A. That's correct. 13 Q. And you personally didn't speak to 14 Michael Foods about feed-based pricing during your 15 time as buyer? 16 A. Not that I recall. 17 (Mercuri Exhibit 9 was marked for 18 identification.) 19 BY MR. SCHWINGLER: 20 Q. Ms. Mercuri, I'm handing you what's been 21 marked as Exhibit 9, which for the record is a 22 document bearing the Bates range GMI 00023656</p>
<p style="text-align: right;">127</p> <p>1 A. I believe so, yes. 2 Q. And are you aware of the relative 3 quantities of whites and yolks in that contract? 4 A. I'm not. 5 Q. You can set aside Exhibit 4. I believe 6 you testified earlier -- and I'm not intending to 7 put any words in your mouth, so please correct me 8 if I get this wrong. But I believe I heard you 9 testify that at some point in time before you were 10 the buyer of eggs for General Mills, General Mills 11 approached its egg suppliers to determine if there 12 was any interest in a feed-based pricing formula. 13 A. Mm-hmm. 14 Q. Were you a part of any of those 15 conversations? 16 A. No. 17 Q. So you didn't personally speak with any 18 of Michael Foods -- withdrawn. 19 You didn't personally speak with any 20 General Mills eggs supplier about feed-based egg 21 prices? 22 A. Prior to Rembrandt, no.</p>	<p style="text-align: right;">129</p> <p>1 through 23674. Do you recognize this document? 2 A. Yes. 3 Q. What is it? 4 A. Well, it looks like a PowerPoint that I 5 did for -- I don't know who -- but discussing 6 different strategies for our egg buy. 7 Q. This document was created in June of 8 2007 or thereabout? 9 A. Correct. 10 Q. And you created this document? 11 A. Yes, I did. 12 Q. If you could turn to the page ending in 13 number 666. At the top of it page, it says 14 "Recommendation." Do you see that? 15 A. Yes. 16 Q. Did this page reflect your 17 recommendations about egg purchases? 18 A. It was recommendation of myself and my 19 manager on what we should do with Rembrandt. 20 Q. And if you look at the second bullet 21 point that says "Other productivity opportunities." 22 Do you see that?</p>

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<p style="text-align: right;">130</p> <p>1 A. Yes.</p> <p>2 Q. And the second bullet under that says,</p> <p>3 "Other dried volume with Michael Foods." Do you</p> <p>4 see that?</p> <p>5 A. Mm-hmm.</p> <p>6 Q. And then it appears to say \$425 million.</p> <p>7 A. Mm-hmm.</p> <p>8 Q. Is that possibly a typo on the dollar</p> <p>9 figure there, or were you considering a</p> <p>10 \$425 million arrangement with Michael Foods?</p> <p>11 A. It's \$425,000.</p> <p>12 Q. Okay.</p> <p>13 A. It would have been -- that would have</p> <p>14 been the value of the productivity, the cost</p> <p>15 savings.</p> <p>16 Q. And under that bullet, then it says --</p> <p>17 the second bullet says, "100 percent feed cost on</p> <p>18 minimum quantity." Do you see that?</p> <p>19 A. I do.</p> <p>20 Q. Does this refresh your recollection as</p> <p>21 to whether you spoke with Michael Foods about</p> <p>22 feed-based pricing during your time as the buyer?</p>	<p style="text-align: right;">132</p> <p>1 as well.</p> <p>2 In March, we do our planning -- spring</p> <p>3 planning process for the following fiscal year, and</p> <p>4 I think that's probably what this is related to.</p> <p>5 Q. And this document is from March of 2007?</p> <p>6 A. Yes.</p> <p>7 Q. And you created this document?</p> <p>8 A. I did.</p> <p>9 Q. If you could turn to the page -- it's</p> <p>10 about halfway in. It ends in number 154. At the</p> <p>11 top of the page, it says, "Egg Strategy Options."</p> <p>12 Do you see that?</p> <p>13 A. Correct.</p> <p>14 Q. What are you describing on this page?</p> <p>15 A. So basically it's the options that we</p> <p>16 saw as buying options and the advantages and</p> <p>17 disadvantages of each model.</p> <p>18 Q. On the leftmost column, I see the phrase</p> <p>19 "breaking stock model," the phrase "cost-plus</p> <p>20 model" and the phrase "market-based model."</p> <p>21 Can you just explain the difference</p> <p>22 between the breaking stock model and the</p>
<p style="text-align: right;">131</p> <p>1 A. It does not. I don't ever remember</p> <p>2 talking to them about it, but maybe we did.</p> <p>3 Q. All right. You can set that document</p> <p>4 aside.</p> <p>5 (Mercuri Exhibit 10 was marked for</p> <p>6 identification.)</p> <p>7 BY MR. SCHWINGLER:</p> <p>8 Q. I'm handing you what's been marked as</p> <p>9 Exhibit 10.</p> <p>10 A. Another PowerPoint.</p> <p>11 Q. For the record, this Exhibit 10 bears</p> <p>12 the Bates range GMI 00017136 through 17170. Do you</p> <p>13 recognize this document?</p> <p>14 A. Yes.</p> <p>15 Q. What is it?</p> <p>16 A. This appears to be more of a category</p> <p>17 overview.</p> <p>18 Q. And what is a category overview?</p> <p>19 A. So buyers at General Mills are required</p> <p>20 to provide leadership and overview of the current</p> <p>21 state of the category, strategy, buying strategy,</p> <p>22 any -- kind of an industry overview type of thing</p>	<p style="text-align: right;">133</p> <p>1 market-based model?</p> <p>2 A. Yeah. That's a good question. The</p> <p>3 differences, as I would see it, would be that in a</p> <p>4 breaking stock model, you would buy at a period in</p> <p>5 time based on the Urner Barry breaking stock price.</p> <p>6 And the market-based model would be more of a spot</p> <p>7 price model. So if you had to actually go out and</p> <p>8 buy whites or yolks or something like that on a</p> <p>9 spot basis, that would be your market-based model.</p> <p>10 Q. So to your knowledge, Urner Barry has</p> <p>11 separate price quotes for different types of egg</p> <p>12 product?</p> <p>13 A. Correct.</p> <p>14 Q. And so Urner Barry will have a quote for</p> <p>15 yolks and a quote for whites?</p> <p>16 A. Yes.</p> <p>17 Q. So are you suggesting that the</p> <p>18 market-based model would involve purchases based on</p> <p>19 the spot market price for the actual specific</p> <p>20 product type you'd be buying?</p> <p>21 A. Correct.</p> <p>22 Q. Whereas the breaking stock model you're</p>

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<p style="text-align: right;">134</p> <p>1 buying based off of the breaking stock alone?</p> <p>2 A. Correct.</p> <p>3 Q. And then in the middle, it says "Cost</p> <p>4 Plus Model." Do you see that?</p> <p>5 A. Yes.</p> <p>6 Q. Can you describe for me what you mean by</p> <p>7 the term "cost-plus model"?</p> <p>8 A. So that's the feed-based model that</p> <p>9 we've been discussing today. And it really is</p> <p>10 related to setting up a cost model in which the two</p> <p>11 inputs that would fluctuate would be your corn and</p> <p>12 soybean meal.</p> <p>13 Q. So when you're referring to cost plus on</p> <p>14 this document, you're referring to a grain or</p> <p>15 feed-based contract?</p> <p>16 A. Correct. Yes.</p> <p>17 Q. But it's also possible to have a</p> <p>18 cost-plus contract where the cost component is</p> <p>19 determined by the market price for eggs?</p> <p>20 A. Different than the market-based model?</p> <p>21 Is that what you're asking?</p> <p>22 Q. Not necessarily different than the</p>	<p style="text-align: right;">136</p> <p>1 freight, and then they sold it to you for a markup.</p> <p>2 A. Right.</p> <p>3 Q. But your price was based on their cost</p> <p>4 plus some sort of margin, correct?</p> <p>5 A. Correct.</p> <p>6 Q. So the core difference between the</p> <p>7 breaking stock model and a cost-plus model is</p> <p>8 simply how the parties determine the cost component</p> <p>9 of the price?</p> <p>10 A. And the time when you would do that,</p> <p>11 too. Right?</p> <p>12 Q. I'm speaking more in theoretical terms.</p> <p>13 A. Yes.</p> <p>14 Q. So I understand from you that the</p> <p>15 breaking stock model makes sense if you're a</p> <p>16 seasonal purchaser of large volumes and are able to</p> <p>17 buy a long shelf life product and store it,</p> <p>18 correct?</p> <p>19 A. Correct.</p> <p>20 Q. Not all egg buyers are capable of that,</p> <p>21 correct?</p> <p>22 A. Correct.</p>
<p style="text-align: right;">135</p> <p>1 market-based model. But I guess what I'm getting</p> <p>2 at is there could be other types of cost-plus</p> <p>3 contracts than a grain-based contract, correct?</p> <p>4 A. Sure. Yeah.</p> <p>5 Q. Because the grain is just how you're</p> <p>6 measuring the cost?</p> <p>7 A. Right.</p> <p>8 Q. You could measure the cost based on</p> <p>9 another factor entirely, correct?</p> <p>10 A. You could.</p> <p>11 Q. So, for example, if your egg product</p> <p>12 supplier purchased breaking stock at the breaking</p> <p>13 stock market price, processed it into dried yolks</p> <p>14 and sold you dried yolks, if the price was breaking</p> <p>15 stock plus freight plus margin, that would be a</p> <p>16 cost-plus contract also, correct?</p> <p>17 A. Theoretically, yeah.</p> <p>18 Q. And that's because the breaking stock</p> <p>19 market price was the cost of the input to the</p> <p>20 supplier?</p> <p>21 A. Mm-hmm.</p> <p>22 Q. They then -- you know, other costs like</p>	<p style="text-align: right;">137</p> <p>1 Q. And that's not possible for shorter</p> <p>2 shelf life products?</p> <p>3 A. Right. Liquid. Right.</p> <p>4 Q. On the cost-plus model column on the far</p> <p>5 right under "Disadvantages," the seconds bullet</p> <p>6 says, "In an oversupply market, does not make sense</p> <p>7 because prices will be naturally lower."</p> <p>8 A. Right.</p> <p>9 Q. What do you mean by that?</p> <p>10 A. Well, in our analysis, when there's</p> <p>11 excess product in the market, the prices are lower.</p> <p>12 And so you could theoretically have a situation</p> <p>13 where if you were in an oversupply situation, you</p> <p>14 could be lower than your grain-based model.</p> <p>15 Q. You mean oversupply of eggs?</p> <p>16 A. Correct.</p> <p>17 Q. So if egg prices are higher, you'd</p> <p>18 rather be on a grain-based model, and if egg prices</p> <p>19 are lower, you'd rather be on a market model?</p> <p>20 A. Right.</p> <p>21 Q. You would agree that all three of these</p> <p>22 models on your analysis here have advantages and</p>

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<p style="text-align: right;">138</p> <p>1 disadvantages?</p> <p>2 A. Yes.</p> <p>3 Q. One of the advantages of the feed-based</p> <p>4 model is that you're actually able to hedge grain</p> <p>5 prices, correct?</p> <p>6 A. Correct.</p> <p>7 Q. And there's no way to hedge egg prices,</p> <p>8 to your knowledge?</p> <p>9 A. There's not a trading market for eggs,</p> <p>10 no, to my knowledge.</p> <p>11 Q. So you can't buy egg futures?</p> <p>12 A. No.</p> <p>13 Q. And you can't buy or sell puts.</p> <p>14 A. Not to my knowledge.</p> <p>15 Q. You can set that to the side. During</p> <p>16 the time you were the buyer for General Mills, was</p> <p>17 your largest supplier in terms of volume Primera?</p> <p>18 A. Yes.</p> <p>19 Q. What did you buy from Primera?</p> <p>20 A. We bought dried yolk, dried wholes,</p> <p>21 dried whites. And I -- I don't recall if we bought</p> <p>22 any liquid from them. Liquid wholes or yolks, I</p>	<p style="text-align: right;">140</p> <p>1 provided, you know, good-quality products. They</p> <p>2 were on time. We didn't have a lot of service</p> <p>3 issues with them. They were an easy supplier to --</p> <p>4 an easy supplier relationship. They were a</p> <p>5 competitive.</p> <p>6 Q. They were able to meet your product</p> <p>7 specs?</p> <p>8 A. Correct.</p> <p>9 Q. And they delivered a safe product?</p> <p>10 A. Correct.</p> <p>11 Q. And they delivered a high-quality</p> <p>12 product?</p> <p>13 A. Correct.</p> <p>14 Q. During the time you were the buyer for</p> <p>15 eggs for General Mills, you also purchased a fair</p> <p>16 amount from Michael Foods?</p> <p>17 A. Mm-hmm.</p> <p>18 Q. Who at Michael Foods did you interact</p> <p>19 with personally?</p> <p>20 A. Tom Dirks and Jason Taylor.</p> <p>21 Q. When you negotiated these -- I'd call</p> <p>22 them a fixed contract, but I think you used the</p>
<p style="text-align: right;">139</p> <p>1 don't recall. We might have.</p> <p>2 Q. To your knowledge, at that time, did</p> <p>3 Primera own any hens?</p> <p>4 A. I don't think they did. They might -- I</p> <p>5 don't know.</p> <p>6 Q. So to the best of your knowledge,</p> <p>7 Primera had to acquire the raw egg ingredient?</p> <p>8 A. They bought breaking stock. Eggs.</p> <p>9 Q. Do you know whether they bought liquid</p> <p>10 egg that was -- liquid eggs or breaking stock eggs?</p> <p>11 A. I don't know if they bought both. I</p> <p>12 know for sure they bought breaking stock.</p> <p>13 Q. Why did you buy from Primera</p> <p>14 specifically? What was it about Primera that was</p> <p>15 appealing to General Mills?</p> <p>16 A. They were a supplier before I started on</p> <p>17 the desk. I'm not sure of what the relationship</p> <p>18 was and how we got to buy from them. I do know</p> <p>19 that they were a supplier of Pillsbury prior to the</p> <p>20 acquisition, and so that played a factor in it as</p> <p>21 we integrated the two sourcing groups.</p> <p>22 But they were a quality supplier. They</p>	<p style="text-align: right;">141</p> <p>1 term a quantity contract?</p> <p>2 A. Mm-hmm.</p> <p>3 Q. That involved a period of time from a</p> <p>4 month to perhaps four months where General Mills</p> <p>5 would pay the same price. Who was your main point</p> <p>6 of contact at Michael Foods for negotiating those</p> <p>7 contracts?</p> <p>8 A. Tom.</p> <p>9 Q. Under what circumstances, generally</p> <p>10 speaking, did you speak with Jason Taylor?</p> <p>11 A. Usually on -- you know, I mean, there</p> <p>12 was some other projects and stuff that we were</p> <p>13 working on. I didn't speak to him a whole lot. He</p> <p>14 would come in when we had supplier meetings.</p> <p>15 Q. What type of projects would you work on</p> <p>16 with Michael Foods?</p> <p>17 A. I believe they were working on the</p> <p>18 frozen egg project. There was -- for our scrambled</p> <p>19 product. I don't recall a whole lot of other</p> <p>20 things.</p> <p>21 Q. Was General Mills collaborating with</p> <p>22 Michael Foods to develop a frozen scrambled</p>

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<p style="text-align: right;">142</p> <p>1 product?</p> <p>2 A. Collaborating with them? No.</p> <p>3 Q. Was there any sort of development</p> <p>4 agreement or contract between General Mills and</p> <p>5 Michael Foods?</p> <p>6 A. Not to my knowledge.</p> <p>7 Q. So what was the nature of your</p> <p>8 discussions with Mr. Taylor about -- you may not</p> <p>9 have used the word "developing," but about sort of</p> <p>10 creating this scrambled egg product?</p> <p>11 A. Basically are you capable of making it,</p> <p>12 do you want to make it, what's your cost model look</p> <p>13 like or cost structure look like, those types of</p> <p>14 questions.</p> <p>15 Q. So you already had had product specs at</p> <p>16 that point?</p> <p>17 A. Yeah.</p> <p>18 Q. So Michael Foods wasn't giving you input</p> <p>19 into what the specs might be?</p> <p>20 A. No.</p> <p>21 Q. When you were negotiating with Rembrandt</p> <p>22 about moving to a feed-based supply model, did you</p>	<p style="text-align: right;">144</p> <p>1 resolved it. I'm sure it's probably in the</p> <p>2 contract somewhere. But I know they had some other</p> <p>3 outlets that they could potentially sell off to</p> <p>4 other customers if they had any leftover whites, I</p> <p>5 guess it would be, because our volumes of yolks and</p> <p>6 wholes were more. But I don't recall exactly how</p> <p>7 we finalized on that.</p> <p>8 Q. And they didn't charge you like an</p> <p>9 add-on for yolks based on the market?</p> <p>10 A. They may have. They may have. Just for</p> <p>11 that --</p> <p>12 Q. You're not aware off the top of your</p> <p>13 head sitting here today?</p> <p>14 A. Yeah. I'm not sure.</p> <p>15 Q. Could you turn back to Exhibit 2.</p> <p>16 Exhibit 2 is a PowerPoint you created in October of</p> <p>17 2010, correct?</p> <p>18 A. Correct.</p> <p>19 MR. CAMPBELL: You misspoke. I'm sorry.</p> <p>20 THE WITNESS: 2007?</p> <p>21 MR. SCHWINGLER: Oh. Yeah.</p> <p>22 October 10th 2007. Let me strike the question.</p>
<p style="text-align: right;">143</p> <p>1 ever discuss the challenges posed by selling egg</p> <p>2 yolks on a grain-based or feed-based model?</p> <p>3 A. Challenges in what regard?</p> <p>4 Q. When you buy an egg yolk only --</p> <p>5 A. Mm-hmm.</p> <p>6 Q. -- there remains the egg white, correct?</p> <p>7 A. Uh-huh.</p> <p>8 Q. And so the supplier has a bunch egg</p> <p>9 white they need to get rid of.</p> <p>10 A. Yes.</p> <p>11 Q. And that theoretically could pose a</p> <p>12 challenge for a grain-based cost-plus contract --</p> <p>13 A. Right.</p> <p>14 Q. -- because the cost to the supplier is</p> <p>15 the grain to feed the hen, which results in an</p> <p>16 entire egg?</p> <p>17 A. Right. So they have leftovers that they</p> <p>18 need to use. Yeah, we've had that conversation.</p> <p>19 Q. You discussed that issue with Rembrandt?</p> <p>20 A. Yes.</p> <p>21 Q. How did you resolve that issue?</p> <p>22 A. You know, I don't know exactly how we</p>	<p style="text-align: right;">145</p> <p>1 BY MR. SCHWINGLER:</p> <p>2 Q. Is Exhibit 2 a PowerPoint you created in</p> <p>3 October of 2007?</p> <p>4 A. Yes.</p> <p>5 Q. If you could turn to the fifth page,</p> <p>6 which ends in 1157 on the bottom right corner.</p> <p>7 A. Mm-hmm.</p> <p>8 Q. At the top of the page, it says, "Egg</p> <p>9 market continues to gain strength." Do you see</p> <p>10 that?</p> <p>11 A. Yes.</p> <p>12 Q. What did you mean by that?</p> <p>13 A. I think it was pricing or costs were</p> <p>14 going up.</p> <p>15 Q. In the second bullet point, it says,</p> <p>16 "Domestic retail demand is abnormally strong."</p> <p>17 A. Mm-hmm.</p> <p>18 Q. What did you mean by that?</p> <p>19 A. Based on information that we had seen,</p> <p>20 historic data that we had seen, breaking shell eggs</p> <p>21 was higher than normal.</p> <p>22 Q. And this was because there was a higher</p>

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<p style="text-align: right;">146</p> <p>1 demand by consumers at the retail level?</p> <p>2 A. Correct.</p> <p>3 Q. When you say "abnormally strong," are</p> <p>4 you aware of why that demand was higher at that</p> <p>5 point in time?</p> <p>6 A. We felt like it could have been</p> <p>7 Atkins-related.</p> <p>8 Q. And by "Atkins-related," you're</p> <p>9 referring to the --</p> <p>10 A. High-protein diet fad that was around in</p> <p>11 that time period.</p> <p>12 Q. And that impacted retail demand for eggs</p> <p>13 because eggs are a source of protein?</p> <p>14 A. Correct.</p> <p>15 Q. I'll ask you to turn to the page ending</p> <p>16 in 1162. If you could go to the third bullet on</p> <p>17 the page where it says "Better quality control."</p> <p>18 Do you see that?</p> <p>19 A. Yes.</p> <p>20 Q. And then it says under that, "Inline</p> <p>21 breaking provides control and traceability</p> <p>22 throughout the entire process from hen to</p>	<p style="text-align: right;">148</p> <p>1 Q. Is it a fresher product?</p> <p>2 A. Yeah.</p> <p>3 Q. Because you don't have to transport the</p> <p>4 egg someplace else to break it?</p> <p>5 A. Right. Right.</p> <p>6 Q. You were buying mostly -- I shouldn't</p> <p>7 say mostly, but you were buying a large quantity of</p> <p>8 dried egg product from Rembrandt, correct?</p> <p>9 A. Yeah, we did.</p> <p>10 Q. And one of the benefits of this</p> <p>11 arrangement was that Rembrandt had new dryer</p> <p>12 technology?</p> <p>13 A. Right.</p> <p>14 Q. So it was your understanding that</p> <p>15 Rembrandt would take the inline liquid and then dry</p> <p>16 it before shipping it to General Mills?</p> <p>17 A. Right.</p> <p>18 Q. And was the drying also occurring at the</p> <p>19 same facility?</p> <p>20 A. Yes.</p> <p>21 Q. If you would turn back to Exhibit 8 for</p> <p>22 one moment. Exhibit 8 is a PowerPoint that you</p>
<p style="text-align: right;">147</p> <p>1 packaging." Do you see that?</p> <p>2 A. Yes.</p> <p>3 Q. What do you mean by "inline breaking"?</p> <p>4 A. So inline breaking is vertical</p> <p>5 integration in which the hen houses are on site of</p> <p>6 the breaking house, and they travel directly from</p> <p>7 the hens to the breaker without any human</p> <p>8 interaction.</p> <p>9 Q. So the egg never leaves the facility?</p> <p>10 A. Right.</p> <p>11 Q. And what's produced by the facility is</p> <p>12 actually an unpasteurized liquid egg, correct?</p> <p>13 A. Yeah.</p> <p>14 Q. Why is it that inline breaking results</p> <p>15 in better quality control, in your view?</p> <p>16 A. Because you have traceability all the</p> <p>17 way back to the hen, or the hen house essentially.</p> <p>18 So you know exactly -- if you have an issue, you</p> <p>19 know exactly where it came from. The quality is</p> <p>20 better because there's no handling of it. It's --</p> <p>21 you have an easier -- the egg separates better when</p> <p>22 it's warm versus being cold.</p>	<p style="text-align: right;">149</p> <p>1 created or helped create; is that correct?</p> <p>2 A. Correct.</p> <p>3 Q. Do you know roughly when you made this</p> <p>4 document?</p> <p>5 A. I don't, but it would have had to have</p> <p>6 been after April of 2008.</p> <p>7 Q. And one of the subtitles to this</p> <p>8 document is "Sourcing 101"?</p> <p>9 A. Yeah.</p> <p>10 Q. Could you turn to the page ending in</p> <p>11 11000. At the top, it says, "Egg strategy,</p> <p>12 adapting to a new environment."</p> <p>13 A. Yes.</p> <p>14 Q. Did you create this slide?</p> <p>15 A. Yes.</p> <p>16 Q. When you say "a new environment," what</p> <p>17 did you mean?</p> <p>18 A. So that was the structural changes that</p> <p>19 we were seeing in the industry.</p> <p>20 Q. And for the record, what structural</p> <p>21 changes were you seeing in the industry at that</p> <p>22 time?</p>

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<p style="text-align: right;">150</p> <p>1 A. Well, at the time, demand was starting 2 to outpace supply and the growth of the egg 3 industry was slowing considerably. 4 Q. And the little box on the right side of 5 the graph, do you see where it says "GMI 6 strategy" -- 7 A. Yes. 8 Q. -- "utilized a cost-plus model"? 9 A. Yes. 10 Q. And it says, "Why? Demand will outpace 11 supply." 12 A. Right. 13 Q. So is it fair to say that you viewed the 14 cost-plus model as an answer to the supply-demand 15 imbalance? 16 A. It was an answer, yes, mm-hmm. 17 Q. And, in fact, demand outpacing supply 18 means prices are going up, correct? 19 A. Correct. 20 Q. So you viewed the cost-plus model as a 21 solution to the increase in prices? 22 A. Correct.</p>	<p style="text-align: right;">152</p> <p>1 A. Yes. 2 Q. Are you aware of, over the long run, 3 whether a feed-based model would result in higher, 4 lower or the same average prices as a market-based 5 model? 6 A. I'm not exactly sure. I don't know over 7 time how it would turn out. Based on our analysis, 8 feed-based was more advantageous than a breaking 9 stock model. 10 Q. It takes two parties to enter a 11 contract, right? 12 A. Yes. 13 Q. You couldn't just tell your suppliers, 14 we're paying based off of grain, right? 15 A. Right. 16 Q. They had to be willing to do that as 17 well? 18 A. Correct. 19 Q. If egg prices were going up and the 20 whole purpose of the grain-based contract would be 21 for you to get a lower price, why were your 22 suppliers willing to do that?</p>
<p style="text-align: right;">151</p> <p>1 Q. And what you really meant by "cost-plus" 2 was a feed-based model? 3 A. Correct. 4 Q. Because if you were using a cost-plus 5 model based off of the egg market prices, your 6 prices would still go up? 7 A. Yes. 8 Q. Would you agree that a feed-based model 9 has advantages other than it has lower prices 10 relative to eggs when egg prices are high? 11 A. Yeah. 12 Q. In fact, one of the advantages is that 13 it reduces the volatility of the prices you pay, 14 correct? 15 A. Correct. 16 Q. Because you can hedge grain prices? 17 A. Exactly. 18 Q. So you have more cost certainty? 19 A. Exactly. 20 Q. And that's something that is beneficial 21 to the personnel within General Mills who actually 22 have to make this stuff?</p>	<p style="text-align: right;">153</p> <p>1 A. Well, in the case of Rembrandt, they 2 were interested in getting more into the 3 value-added side of eggs, which was they didn't 4 have a dryer beforehand. And so part of the deal 5 with them was that they needed a base load customer 6 who could fill up their drying capacity, and that's 7 what their interest was. So we were that -- we 8 were sort of that answer for them. 9 Q. So they were willing to price on the way 10 you wanted to because they really wanted your 11 business? 12 A. Right. 13 Q. Were there any other advantages to them, 14 to your knowledge? 15 A. Other than growth? Not that I'm aware 16 of. I'm sure they had plenty of reasons, but -- 17 Q. You used the term "value added." Was it 18 your understanding that what Rembrandt was selling 19 General Mills was the value they added to the egg? 20 A. Well, yeah. 21 Q. And, in fact, that's what Primera sold 22 you as well, right?</p>

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<p style="text-align: right;">154</p> <p>1 A. Right.</p> <p>2 Q. Because Primera had to buy the egg from</p> <p>3 someone else, add value to it and sell you the</p> <p>4 finished product?</p> <p>5 A. Right. But we were going vertical with</p> <p>6 Rembrandt, which we couldn't do with Primera.</p> <p>7 Q. Is it possible that Rembrandt also</p> <p>8 wanted to have a smoother price for its products?</p> <p>9 A. Naturally, yeah.</p> <p>10 Q. And Rembrandt also wasn't interested in</p> <p>11 riding the curve of the egg market?</p> <p>12 A. Sure.</p> <p>13 Q. Did you talk with them about that?</p> <p>14 A. Not that I recall. I mean, I'm sure we</p> <p>15 probably did, but -- I mean, that would be a topic</p> <p>16 of conversation that we would probably have talked</p> <p>17 about.</p> <p>18 Q. In fact, Rembrandt could have hedged the</p> <p>19 grain markets also, correct?</p> <p>20 A. They could? Is that what you asked?</p> <p>21 Q. Yes.</p> <p>22 A. Yes.</p>	<p style="text-align: right;">156</p> <p>1 Q. And so let me ask you this. In the</p> <p>2 right chart, there's a portion of the pie called</p> <p>3 "liquid egg cost."</p> <p>4 A. Correct.</p> <p>5 Q. Is it fair to say that the liquid egg</p> <p>6 cost is essentially everything that's represented</p> <p>7 in the left chart?</p> <p>8 A. Yes.</p> <p>9 Q. So -- and, you know, you could actually</p> <p>10 if you wanted to and had a blow-up --</p> <p>11 A. You could pull that little piece out and</p> <p>12 say that it is essentially what is on the left-hand</p> <p>13 side of the page.</p> <p>14 Q. Okay.</p> <p>15 A. Yeah. Less the shell.</p> <p>16 Q. Yes. But liquid egg cost essentially --</p> <p>17 when you see the header above the chart on the</p> <p>18 right that says "cost of a pound of dried egg,"</p> <p>19 you're talking about cost to General Mills?</p> <p>20 A. Correct.</p> <p>21 Q. When you look at the components within</p> <p>22 the chart and it says "liquid egg cost," that's</p>
<p style="text-align: right;">155</p> <p>1 Q. Do you know whether they did?</p> <p>2 A. I don't know whether they did.</p> <p>3 Q. All right. I have one last question,</p> <p>4 and this was just more to clean up the record</p> <p>5 because I -- if you turn to the next page, which</p> <p>6 ends 11001 --</p> <p>7 A. Yeah.</p> <p>8 Q. -- on this page, there's two pie charts.</p> <p>9 A. Yes.</p> <p>10 Q. The one on the left says "cost of a</p> <p>11 shell egg"?</p> <p>12 A. Mm-hmm.</p> <p>13 Q. And the one on the right says "cost of a</p> <p>14 pound of dried egg," correct?</p> <p>15 A. Correct.</p> <p>16 Q. Mr. Davis asked you some questions about</p> <p>17 these charts earlier, and in one of your answers,</p> <p>18 you sort of pointed and moved your hands around to</p> <p>19 emphasize a point, and I think I understand what</p> <p>20 you were saying, but I just would like to have a</p> <p>21 clearer record.</p> <p>22 A. Sure.</p>	<p style="text-align: right;">157</p> <p>1 really just the cost to produce the liquid egg that</p> <p>2 goes into your product?</p> <p>3 A. Correct.</p> <p>4 MR. SCHWINGLER: Can we just take a</p> <p>5 quick break off the record?</p> <p>6 THE VIDEOGRAPHER: We're going off the</p> <p>7 record about 11:28 a.m.</p> <p>8 (Whereupon, a recess was taken from</p> <p>9 11:28 a.m to 11:32 a.m.)</p> <p>10 THE VIDEOGRAPHER: We're going back on</p> <p>11 the record at about 11:32 a.m.</p> <p>12 MR. SCHWINGLER: We have no more</p> <p>13 questions for the witness.</p> <p>14 MR. CAMPBELL: We have no</p> <p>15 cross-examination.</p> <p>16 THE VIDEOGRAPHER: We're going off the</p> <p>17 record at 11:33 a.m.</p> <p>18 (Reading and signing reserved).</p> <p>19 (Whereupon, at 11:33 a.m. the videotaped</p> <p>20 deposition was adjourned.)</p> <p>21 * * * * *</p> <p>22</p>

